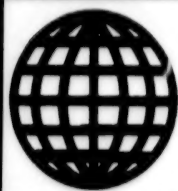


JPRS-EER-92-055
5 MAY 1992



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

East Europe

East Europe

JPRS-EER-92-055

CONTENTS

5 May 1992

BOSNIA-HERCEGOVINA

- 'Green Berets' Commander Fatih Interviewed [MUSLIMANSKI GLAS 13 Mar] 1

BULGARIA

- Textile, Agriculture Export Markets Evaluated 3
 Textile Markets [BULGARSKI BIZNES 2 Mar] 3
 Hothouse Produce [DELOVI SVYAT 27 Mar] 4

CROATIA

- 'Massacre' of Kosovo Albanians Allegedly To Begin [VJESNIK 22 Apr] 7
 Bosnia Said Won Over to West by Political Means [VECERNJI LIST 16 Apr] 8
 'Captain Dragan' Ready To Return to Krajina [SRPSKI GLAS 23 Mar] 9

CZECHOSLOVAKIA

- PLO Ambassador's Statement Criticized [RESPEKT 5 Apr] 11
 Czechs Prepare for Defense Against Terrorists [RESPEKT 5 Apr] 12
 Kroupa on ODA's Program, Other Parties [HOSPODARSKE NOVINY 31 Mar] 12
 Election Program of Liberal Social Union [MLADA FRONTA DNES 1 Apr] 15
 Challenges Facing Czech Higher Education [Paris LE MONDE 26 Mar] 16

HUNGARY

- Business, Politics in Draft Communications Law [FIGYELO 26 Mar] 18
 MNB Subsidiary Managed GDR Stasi Account [HETI VILAGGAZDASAG 4 Apr] 20
 Method of Settling Trade Debt to GDR Argued [HETI VILAGGAZDASAG 4 Apr] 21
 Industrial Performance Shows Continued Recession [FIGYELO 26 Mar] 22
 New Bank To Support Investment, Development [TOZSDE KURIR 26 Mar] 24
 Business, Privatization Loans Restructured [TOZSDE KURIR 26 Mar] 25

POLAND

- KLD Congress on Program, Leadership Changes [PRZEGLAD TYGODNIOWY 29 Mar] 26
 National Democratic Party Program Presented [SPOTKANIA 27 Feb] 27
 UNIDO Credit Terms for Entrepreneurial Plans [RYNKI ZAGRANICZNE 31 Mar] 29
 Effects of EC Treaty on Steel Trade Pondered [RYNKI ZAGRANICZNE 17 Mar] 29
 Benefits to Poland of Western Aid to Russia [RYNKI ZAGRANICZNE 17 Mar] 31
 Polish Prominence in Byelarusian Trade Noted [RYNKI ZAGRANICZNE 24 Mar] 32
 Restructuring Proposal for Cotton Industry [RZECZPOSPOLITA 18 Mar] 33

ROMANIA

- Verdet on Party's Future, Split in FSN [CURIERUL NATIONAL 18 Apr] 36
 Problems in Privatizing Trade, Tourism [TRIBUNA ECONOMICA 3 Apr] 37
 Assistance Programs for Smaller Entrepreneurs [TRIBUNA ECONOMICA 10 Apr] 37

SLOVENIA

- Election Legislation To Be Decided in Referendum [DELO 10 Apr] 39
 New Leader of Party for Equality of Citizens [DNEVNIK 9 Apr] 40

YUGOSLAVIA

Vojvodina Social Democrats Score Serbian Regime [Novi Sad MAGYAR SZO 18 Apr]	42
Serbian-Hungarian Friendship Society Founded [Novi Sad MAGYAR SZO 18 Apr]	43
Arkan Interviewed on Life, War, Arrest [POBJEDA 13 Jan]	43

'Green Berets' Commander Fatih Interviewed

92BA0833A Sarajevo MUSLIMANSKI GLAS
in Serbo-Croatian 13 Mar 92 p 7

[Interview with "Green Berets" Commander Fatih by Nedžad Latic; place and date not given: "The 'Green Berets' Have Not Even Fired a Bullet Yet"—first paragraph is MUSLIMANSKI GLAS introduction]

[Text] MUSLIMANSKI GLAS was the first to discover the "Green Berets" and present them to the public in an interview with their founder, Fatih. After the SDS [Serbian Democratic Party] barricades on the streets of Sarajevo, on the following nights there was nearly an armed conflict between them and the Cetniks who were coming from the direction of Pale. To some people, the popular "Green Berets" are a paramilitary formation that they use to frighten the Serbian people ("The Handzar Division is coming with the green berets and slaughtering everything in front of it!"), or that they use to justify their own terrorism. Because of the misunderstandings about the "Green Berets," MUSLIMANSKI GLAS again sought their leader, the legendary Fatih.

[Latic] Mr. Fatih, MUSLIMANSKI GLAS has not yet invited anyone to speak with it twice. The "Green Berets," however, came out of the underground. The media are portraying them in different ways.

[Fatih] Last time we talked after the incident in Bistrik in connection with the transportation of the "missiles in banana peels." Even then, I observed armed Bosnian Muslims who were organized in action. This coincided with my work, which delighted me. There were two reasons to form such antiterrorist groups in Bosnia. On the days when the Muslims refused to join the army reserves and also to send their children into the army, they were left without protection overnight. This army would never protect them. That potential of a people that refused to mobilize for a war that was not its own only had to be organized, and as we see, it was possible to do this very successfully, since a large number of mid-level military personnel left the ranks of the JNA [Yugoslav People's Army], and they became personnel in the "Green Berets."

[Latic] Who is the conceptual creator of the ZEBE (acronym for ZELENE BERETKE, Green Berets), as you call them?

[Fatih] I already said that in Bistrik I saw a group, the guys in which I did not know. In Bosnia I also came across the "Bosnian Knights." The pictures of Pakrac, Vukovar, etc., drove the people to seek weapons feverishly for the sake of some sort of protection.

[Latic] You mean that the people organized themselves.

[Fatih] Even though that phrase about organizing the people has been used by great demagogues, I cannot deny it. I am asserting that the Muslim people organized themselves. I am telling you that I have already come across several groups. All of those groups are more or less united under one coordination, and thus, under one uniform.

They have their headquarters in Sarajevo, but they are also active in the provinces.

[Latic] To what extent did the ZEBE, in your opinion, play an important role on the night of the barricades in Sarajevo?

[Fatih] People of battles never admit surprise. Well, we were caught unawares by the situation on that night. But while the sun was illuminating the city, we were ready for action.

[Latic] How do you assess the action on that day?

[Fatih] Very successful. We were faced with a very complex task. The barricades were causing panic. That is the biggest success of the terrorists. For a long time we did not have the people behind us. The people are the lever of our antiterrorist struggle. Without phrasemongering, I can say that we are the Bosnian people's army.

[Latic] Did you succeed in synchronizing your counteroffensive, or did you take up weapons at random?

[Fatih] I did not personally command the operation. It was done by a team of people. I think that they proceeded from the following assumptions: If the terrorists want some sort of political extortion, then let the politicians decide. The second assumption was that they wanted to cause a broader conflict. The ZEBE set up a ring around the terrorists very early, in order to keep help from reaching them from somewhere else. We did not want closer contact with the terrorists, but waited to see what they wanted. If they had stayed for one more day, that would have been a sign to us that their goal was what Jovic, Kostic, and Seselj announced after the referendum. Then we would have eliminated them without mercy.

[Latic] You have been accused by the Bosnia-Herzegovina Ministry of Internal Affairs of being a cuckoo's egg: of protecting murderers, of having attacked Pale, Vojkovice, etc.

[Fatih] I can state authoritatively that the ZEBE have not yet fired a bullet. Our purpose is preventive action, the protection of every Bosnian and Herzegovinian from criminals. The threat to human life is the only call to action for us. I think that the success of the partisans in the NOB [National Liberation Struggle] was based precisely upon people's perception that they were not slaughtering and burning. How would we protect our state if, God forbid, we tolerated irresponsible individuals in our ranks?

[Latic] The Sarajevo barricades are behind us, and the UN peacekeeping forces are coming. Will you bury the Kalashnikovs?

[Fatih] Perhaps the Kalashnikovs will be buried, but the "Green Berets" are not just formations of Kalashnikovs. They are forces that will cooperate with humanitarian societies and the office of the [UN] Commissioner for assistance to refugees. This should not be formal cooperation between certain military formations and those organizations. As far as I am concerned, I have completed my task. My guys are remaining in the "Green Berets." The ZEBE have excellent leaders. I take off my hat to them.

The ZEBE should be further developed. They should be protected from the infiltration of Kosovo people. There is a risk that some cafe malcontents might link their rampaging and blustering with our very humane activity. The reason for ending the ZEBE's activity and existence will be clear on the day when the president of Bosnia will be able to go to any barracks in Bosnia and be saluted by that army. The "Green Berets" do not want to be the future Bosnian army; they are only filling in an interregnum.

[Latic] Couldn't all that be done by the Ministry of Internal Affairs?

[Fatih] It is not necessary to comment in particular on the work of the Ministry of Internal Affairs. They are the way they are. They are neither professionals, nor volunteers, and we are facing a war program. What I cannot help criticizing the minister for is his self-promotion through sanitized interviews, while they are issuing such confused statements and communiques. Jansa and Kacin won the war in Slovenia. Ostojic is blocking the work of the Ministry of Information. That is why the Ministry of Internal Affairs ought to have its own press center. One can only fight a mafia through publicity.

[Latic] This morning the newspapers published an interview with "Colonel Bosnjak." Is that a real person?

[Fatih] Yes. I have already talked about the mid-level officer personnel.

[Latic] He talks about a "Patriotic League of Bosnia."

[Fatih] That is how things stand. The PL [Patriotic League] of Bosnia includes the former TO [Territorial Defense],

along with young men who have not served in the JNA at all. The PL of Bosnia has its own combat forces.

[Latic] You are leaving Bosnia in a day or two?

[Fatih] We also have brigades outside the borders. They have been formed by our immigrants.

[Latic] You are making very serious assessments about Bosnia. Isn't it a little bit like starting a rumor and upsetting citizens?

[Fatih] The means for destroying and killing have always been stronger than humanitarian means. Today, it is easy to obtain very destructive weapons and equipment. Underground forces are therefore tearing apart Bosnia, and will continue to do so for a long time. Much more of the population and forces will have to be mobilized in order to prevent the destruction and the killing.

Serious political circles which are concerned with the area of Yugoslavia in one way or another feel that Milosevic's regime has created a new Israel in Europe. There are four incredible coincidences between the Zionist plan for creating the Israeli state, and Cosic's plan for creating a Greater Serbia. Today only the Serbs and the Jews are "threatened"; Only the Serbs and the Jews have to live in one state, and the common enemy of such Serbs and Jews is the fascists (the Croats) and the fundamentalists (the Muslims). The spirit of Zion has been hovering above Sumadija for a long time. Serbia cannot play Israel's role in Europe only because it does not have its own lobby. Serbian Ambassador to Israel Kosutic was also supposed to be the chairman of the board of directors of the Serbian bank. The only thing that we are missing is for the mafia to turn up here, and then everything will follow the well-known course—God forbid.

Textile, Agriculture Export Markets Evaluated

Textile Markets

92BA0766A Sofia BULGARSKI BIZNES in Bulgarian
2 Mar 92 p 4

[Article by Emiliya Gigova: "Bulgaria Risks Losing Its European Textiles Market"]

[Text] The members of the European Community are among the biggest exporters and importers of textile goods in the world. Characteristically, in most of the countries, imports are growing faster than exports, despite the extremely high saturation of the market with textile goods. After 1980, the share of the Twelve in the world imports of textile goods rose from 26 percent to 33 percent, while their exports increased by no more than two points, reaching 16 percent.

Even though reciprocal trade accounts for most of EC foreign trade in textiles, these countries also export to and import from other parts of the world significant amounts of textile fabrics and yarns, ready-made clothing, and a number of other goods of textile origin, of different structures and varieties.

Bulgaria is one of the countries that trades in textile goods with Western Europe. Unfortunately, however, if the present pace is retained, Bulgaria for quite some time in the future will remain outside the European structures, and its future participation in them will become increasingly difficult.

Bulgaria both exports and imports textile goods, with the volume of exports exceeding that of imports for ready-made clothing (see diagram [reproduced here as a table]). The physical volume of exports, unlike imports, is characterized by greater instability, mainly because of large fluctuations in the export of textile fabrics. Until 1985, when the maximum amount of 440 million leva was recorded, exports rose, after which deliveries fluctuated so greatly that, in 1990, the level dropped to that at the start of the 1980's. Consequently, the export quota of the sector, which is exceptionally low compared to that of other items, has been steadily shrinking and accounts for no more than 3 percent. This indicator is almost catastrophic compared to that of the 1960's, when it reached its highest level of 12.4 percent, after which it marked a steady decline.

**Exports and Imports of Textile Goods
in Million Leva (1980-90)**

	Textile Exports	Textile Imports
1980	300	190
1981	300	200
1982	330	220
1983	380	260
1984	380	250
1985	490	280
1986	410	260
1987	390	280
1988	480	330
1989	470	320
1990	300	250

If this trend continues over the next two or three years, Bulgaria will lose all of its positions in the world market. Actually, that is precisely what should be prevented. The efforts must be focused on energizing exports—that is, reviving and orienting production toward the most efficient structures, making optimum use of capacities and, not least, substantially upgrading the quality features of the industrial output.

The main goods Bulgaria offers on the West European market are cotton products, followed by woolen and silk fabrics, bed linens, table linens, clothing, and so forth. What is alarming, however, is the fact that, in recent years, export development trends have been negative (Table 1). In 1990 alone, the overall amount in terms of value declined by approximately 23 percent, compared to 1989, and, in 1991, this trend intensified. The reasons are familiar: Production dropped below the level of all expectations, and, reflecting the chain of interrelated events, there was a limitation of export possibilities. There was a substantial reduction in the export of cotton fabrics—more than 40 percent—and more than 30 percent in the export of male cotton shirts. To emphasize the extent of this decline in exports, let us go back to the time of 20 years ago, when exports of cotton fabrics were higher by a factor of 4.5 as compared to 1990—14.6 million meters. Exports of most commodities going to the East European countries have declined so greatly that even significant increases (bed linens, underwear, shirts) to the West European countries are insufficient to compensate for the overall negative trend.

**Table 1
Dynamics of Bulgarian Exports
of Some Textile Items
(in percent)**

Commodity Group	1990/1985	1990/1989
Total export of the textile-clothing industry	72.94	77.15
Including:		
Total cotton fabrics	48.92	58.46
EC	83.24	56.06
EFTA ¹	62.12	154.61
East European countries	17.44	23.39
Total woolen fabrics	129.63	88.51
EC	150.65	65.41
EFTA	—	266.67
Total silk and silk-type fabrics	53.38	119.29
EC	45.80	88.73
Yugoslavia	382.90	154.78
Total coats and dresses	81.17	81.02
EC	85.94	90.85
EFTA	460.36	150.65
East European countries	104.45	99.48

Table 1
Dynamics of Bulgarian Exports
of Some Textile Items
(in percent)
(Continued)

Commodity Group	1990/1985	1990/1989
Total male cotton shirts	51.21	67.33
EC	44.20	118.69
EFTA	179.86	78.01
East European countries	52.97	56.32
Total underwear	59.61	84.16
EC	73.95	143.95
EFTA	190.28	74.25
East European countries	104.14	91.26
Total bed and table linens	293.76	168.50
EC	470.83	226.42
EFTA	478.04	76.81
East European countries	3.25	13.47

¹European Free Trade Association

Significant changes may be noticed in the geographic structure of textile exports. A trend of reorientation toward West European countries is becoming apparent (Table 2). After 1985, the share of EC members in the export of cotton fabrics increased by 12 percent; of woollens, by 4 percent, and of table and bed linens, 4 percent. Our main partners are Italy, Germany, France, and the Netherlands.

Table 2
Geographic Structure of Bulgarian Textile Exports
(in percent)

Commodity Group/Region	1985	1989	1990
Cotton fabrics			
EC	16.41	29.11	27.92
EFTA	21.39	10.27	27.16
East European countries	8.55	7.61	3.05
Woolen fabrics			
EC	21.59	33.95	25.09
EFTA	0	1.53	4.61
Silk and silk-type fabrics			
EC	51.41	49.30	44.11
Yugoslavia	2.58	14.27	18.52
Coats and dresses			
EC	4.59	4.33	4.86
EFTA	0.33	1.01	1.87
East European countries	87.39	91.75	91.28
Male cotton shirts			
EC	36.16	17.71	31.21
EFTA	1.68	5.09	5.89

East European countries	60.96	75.39	63.06
Underwear			
EC	28.01	14.39	20.71
EFTA	1.26	4.57	4.03
East European countries	69.74	79.59	72.63
Bed and table linens			
EC	27.39	32.67	43.90
EFTA	12.45	44.44	20.25
East European countries	48.62	11.74	1.58

Increased exports to EFTA countries (essentially Austria and Switzerland) also had had an influence on its territorial structure. The share of exports of cotton fabrics increased by 6 percent and of bed linens by 8 percent. Bulgaria exported significant amounts of textile goods to the former Yugoslavia. In 1987-89, exports of cotton fabrics to Yugoslavia reached its maximum level, accounting for 38 percent of its overall volume; exports of silk and silk-type fabrics reached 18.5 percent in 1990.

However, the major changes are essentially caused by a significant reduction of exports to the former socialist countries in terms of percentages. Their share in the export of cotton fabrics declined from 8.6 percent in 1985 to 3 percent in 1990, and of bed linens from 48.6 to 1.6 percent. The most substantial drop in exports was to Hungary, Czechoslovakia, and the former Soviet Union. Despite substantial changes in the structure of exports, most of them are still aimed at the East European countries, which account for 90 percent of exported coats and dresses, more than 70 percent of underwear, and more than 60 percent of men's shirts.

In conclusion, let us point out that our main competitors from the East European bloc—Hungary, Czechoslovakia, and Poland—are already orienting their exports at a significantly faster pace toward the European structures, and the EC intends to expand its trade zone by including in it the three economically strongest countries of the former communist East Europe. It is anticipated that, by the year 2000, these three countries will join the EC. But what about Bulgaria?

Hothouse Produce

92BA0766B Sofia DELOVI SVYAT in Bulgarian
27 Mar 92 p 5

[Article by scientific associate Emiliya Gigova: "Bulgaria Has Begun To Export More Hothouse Than Field-Grown Vegetables"]

[Text] Bulgaria exports hothouse tomatoes and cucumbers and very small amounts of peppers. They account for approximately 20 percent of the total exports of fresh vegetables. However, the exception occurred in 1991, when this trend was interrupted and, according to preliminary estimates, such vegetables reached that level and even, for the first time, exceeded the share of field-grown vegetables.

The export of vegetables has been characterized by significant changes in the past few years (as clearly shown in Table 1). The highest number, 33,600 tons, attained in the second half of the 1980's was followed by a decline in exports, reaching their lowest point of 9,400 tons in 1989 (that is, the amount of hothouse vegetables offered on foreign markets declined by a factor of 3.5). This negative result was due mainly to a decline in the export of hothouse tomatoes by a factor of almost seven, or by 24,000 tons below the maximum level.

Table 1
Dynamics of Exports of Hothouse Vegetables
(in percent)

Commodity/Region	1990/ 1985	1989/ 1988	1990/ 1989
Total tomatoes	81.6	28.0	229.3
Including:			
East Europe	42.5	23.1	126.7
EC	133.7	27.5	254.0
EFTA ¹	88.2	67.5	218.2
Total cucumbers	177.5	74.5	174.2
Including:			
East Europe	609.5	38.0	306.5
EC	86.1	260.9	78.8
EFTA	126.7	86.5	146.9

¹European Free Trade Association

At the start of the 1990's, exports of hothouse vegetables began on a relatively optimistic basis, against the background of the general economic crisis. Deliveries were significantly increased—to double the amounts exported in 1989.

Most of the exports are hothouse tomatoes; the volumes, however, fluctuate within a relatively broad range—from 4,100 tons in 1989 to 28,100 tons in 1986. As a result of this, their share in the structure of the exports of hothouse vegetables has displayed a significant instability, from 44 percent to 84 percent (see diagram [reproduced here as a table]). The percentage of cucumbers is actually equal to the balance because the amount of hothouse peppers exported is insignificantly small and still not worth including in the dynamics of the commodity structure.

Structure of Bulgarian Exports
of Hothouse Vegetables in 1985-91
(in percent)

	Tomatoes	Cucumbers
1985	70	30
1986	85	18
1987	68	35
1988	70	32
1989	45	58
1990	52	50
1991	60	40

The commodity-geographic structure in exports of hothouse vegetables is characterized by even greater dynamics (Table 2). Until 1989, tomato exports were oriented almost entirely toward the former socialist bloc in Europe (more than 70 percent), with about 25 percent going to EFTA countries. Deliveries to EC countries were usually approximately 3 percent. In 1990, however, the first significant structural changes were noticed. There was a virtual total collapse of exports to the East European countries, whose share was reduced by approximately one-half, as compared to the previous year, whereas consumer demand on some of the other regional markets remained almost unchanged. The change came from a substantial increase in deliveries of tomatoes to our western neighbor. The one-third of the total exports of tomatoes going to the former Yugoslavia shaped the balance of the geographic structure of exports of this vegetable.

The territorial structure in the export of cucumbers is radically different from that of tomatoes. Although a trend toward a certain decline has been noticed, first come the EFTA countries, the percentage of which declined to 53 percent in 1990. The main importers of Bulgarian hothouse cucumbers are Austria, accounting for 35 percent, and Switzerland, 13 percent. The remaining 5 percent is divided among Lichtenstein, Finland, and Sweden.

Table 2
Geographic Structure of Imports of
Hothouse Vegetables for 1985-90
(in percent)

Commodity/Area	1985	1988	1989	1990
Tomatoes:				
East Europe	75.3	86.2	71.0	39.2
EC	2.3	3.4	3.4	3.7
EFTA	22.1	10.4	25.1	23.9
Yugoslavia	—	—	—	33.2
Cucumbers:				
East Europe	10.9	41.5	21.2	37.5
EC	10.2	4.7	16.3	7.4
EFTA	73.9	53.9	62.5	52.7
Yugoslavia	—	—	—	2.4

These countries are followed by the countries of the former socialist bloc in East Europe, the share of which showed a 16-percent increase in 1990, reaching 37.5 percent. Since the unification of the two German Republics, the former Soviet Union remains the basic and perhaps the only market in that region. It would be interesting to see what factors determine the exceptionally fluctuating dynamics of exports of hothouse cucumbers to these countries. In

some years, exports have fluctuated between 17 and 34 tons, and in others, such as 1990, they jumped all the way to 2,970 tons. The dynamics of the share of the 12 EC countries in the overall exports remains unstable, as well, ranging between 5 and 16 percent. Greater quantities, from 300 to 700 tons, have gone to the German market. Denmark is another steady customer, importing from 25 to 150 tons of hothouse cucumbers annually. Over the past two years, Great Britain has been added to our export list for this vegetable.

The export of hothouse peppers from Bulgaria has not been seriously promoted, which is the reason the amounts of such exports, as compared with the other two vegetables, are almost untraceable. Between 50 and 100 tons are

being exported to EFTA countries and between 15 and 131 tons to some East European countries (Hungary and Poland).

This study indicates that the export of hothouse vegetables from our country has been relatively unstable. The factors that determine such instability are numerous: high production costs, the country's energy possibilities, the political and economic changes in the former East European socialist bloc, and so forth. Despite this, the increased exports of hothouse tomatoes and cucumbers to the republics of neighboring Yugoslavia indicate that optimum forms of encouraging exports to the other neighboring countries—such as Turkey and Greece, the Scandinavian countries, and the new CIS [Commonwealth of Independent States] republics—should also be sought.

'Massacre' of Kosovo Albanians Allegedly To Begin

AU2904120692 Zagreb VJESNIK in Serbo-Croatian
22 Apr 92 p 7

[Article by Nadira Avdic-Vllasi: "Scenario Completed, Kosovo Begins"]

[Text] Which of these fates will befall Kosovo first: the Republic of Kosovo, a special status, or a war whirlwind with a Serbian massacre of Albanians?

The majority of the population voted for the Republic of Kosovo in a referendum, and that has recently become the only option accepted by all Albanian political representatives—those that remain in Kosovo, and those in exile, elected into the Kosovo government. The special status solution appears in international documents, and is considered a kind of a compromise, if not a permanent solution. The U.S. ambassador in Belgrade, Warren Zimmermann, recently spoke of a broader autonomy in the form of such a special status. However, both the Serbian authorities and the Albanian leaders have reached a consensus regarding that proposal: Such a solution is rejected sharply and decisively by both sides. International elements have been sending discreet messages to the Albanians to the effect that, whether they like it or not, they will have to fight it out on their own, while the Serbs are being told that the Albanian problem is unavoidable, and should be solved through negotiations and by political means. It is impossible to conceive that the Albanians could, without international support, stop the livid, roaring war machine on the Kosovo borders, and prevent massacres with the might of their arguments and justified demands.

It is hard to believe that a Ghandi-type resistance—suffering and waiting—could stop the tanks and missiles, and the already prepared "MiG's," which means that the Albanians will have to accept what the international community offers, or be left to the mercy of the Serbian authorities.

Waiting for the Signal To Begin

The Serbian side does not agree to any special status for Kosovo, and even less so to the Republic of Kosovo. Obsessed with the creation of "Serbian Kosovo," it pays no heed to what the world says, it dictates, and even protests. The government has found a simple formula, which it serves to its own people—for everything it does, plans, and thinks of, somebody else is to blame. It is in its interests to create chaos, to deceive, and then "explain" that the other side is doing it all. It will resort to the same strategy now, to "purge" Kosovo as much as it can. Many rumors, supported by visible preparations, have strengthened the conviction that the Kosovo D-day has arrived.

The side that has been preparing for the creation of a medieval Serbian Kosovo (at the celebration in Gazimestan of the 600th anniversary of the Battle of Kosovo) is waiting for the signal to begin. It is armed to the teeth, and has dedicated the last three years to the sole task of

disarming the Albanians, using all means available. Villages were being surrounded, "punitive expeditions" organized, there were murders, plundering, and the control over transport was so extreme that not even a fly could have gone in or out of Kosovo unnoticed.

Weapons were sought and confiscated, even hunting guns when their owners had perfectly valid permits, although it is well known that the Albanians are an unarmed and defenseless people. And when weapons were found, there followed real spectacles in the form of political trials. At the same time, the same people armed the Serbs left, right, and center, and distinguished individuals spread stories about "Albanian paramilitary units," because it did not look good that the civilian population was being massacred just for the fun of it. Thus they can say that, after heavy "battles," Kosovo has been "liberated" again, for the second time in the last three years.

Action Begins

If well informed sources are to be believed, all the preparations have been completed. The evacuation will go according to plan, during the coming holidays (Orthodox Easter, 1 May, etc.), then, alongside the termination of the population, Albanian towns will be destroyed, including parts of Pristina—Vranjevac, Taslidze, Dragodan—while in the mixed communities that are not to be destroyed for Serbian reasons (Prizren, Pec, and other places with medieval monuments) "cleaning of pockets" will be carried out, meaning murdering from house to house.

Apart from these stories, which cause panic among members of all ethnic groups in Kosovo, journalists from Albanian newspapers have been reporting from many places about activities being carried out by the Serbian authorities. Buses with Belgrade and Vranje registrations have been ferrying out Serbian children, women, and the sick from Kosovska Kamenica. Groups of heavily armed policemen, wearing bullet-proof vests, and controlling the movements of Albanians, can be seen all over Kosovo. Many important buildings, and police and military facilities, are surrounded with sandbags, and machine-gun nests have been erected. Groups of officers have been openly visiting some Albanian villages, observing the layout of the land, and drawing sketches. Columns of tanks and armored police vehicles have been passing through Albanian villages, stopping for half an hour or so, provoking villagers, and then departing. Draft calls are being sent out to Albanian youths born between 1972 and 1975, while in some mixed villages weapons are being distributed openly to the Serbs again. As a war psychosis is created, it is becoming increasingly clear that the Serbian side is preparing in earnest for violence and a massacre of the Albanians.

Meanwhile, some Serbian mass media, including TV Belgrade, have been promoting obvious lies about alleged Albanian paramilitary formations. They need to prepare an excuse for their own people, even though nobody, not even the Serbs themselves, believes it.

First Action, Then Talks

That the situation is really dramatic is evident from the fact that the International Helsinki Federation has sent an open letter to the CSCE, EC, and UN, asking for the question of Kosovo to be urgently put on the agenda, in order to prevent a possible armed conflict, and to start all the necessary procedures to stop the drastic violations of human rights. The letter also insists on the participation of Albanian representatives in the EC sponsored conference on Yugoslavia. The Kosovo Albanians, and their representatives, insist on democratic methods, and the political parties believe that violence should not be answered with violence.

Can the international community, through any form of pressure, stop the Serbian police, military, and paramilitary machinery, and thwart the obvious preparations for new bloodshed and the massacre of the Albanian people? We will know soon enough. Judging by the recent experience on the territory of former Yugoslavia, it could be said that the Serbian authorities are smirking at the world, and have no intentions of giving up on destroying everything that stands in the way of Greater Serbian insane plans of territorial gain and the subjugation of the non-Serbian nations. The strategy is already well known: "We will do as we please first, and then talk later."

Bosnia Said Won Over to West by Political Means

AU2704070992 Zagreb VECERNJI LIST
in Serbo-Croatian 16 Apr 92 p 2

[Commentary by Jozo Renic: "Bosnia All the Way to Drina"]

[Text] America has made it perfectly clear to Serbia that it has noticed the aggression against the new state of Bosnia-Herzegovina. There lies—if it is possible to be certain about anything these days—a great hope for a final escape from under the Greater Serbian boot.

Ever since the days of the Tudjman—Izetbegovic—Milosevic talks, as one of the variations for "solving the Yugoslav-crisis," there have been various rumors about borders in this region, particularly the Bosnia-Herzegovina ones. There followed a couple of clandestine (!?) meetings between Tudjman and Milosevic, which gave rise to stories about the division of Bosnia, although the two negotiators did not give any indication as to what their aim was. The penetration of Bosnia—which to Croatia is a historical and ethnic region, and to Serbia a "centuries-old dream"—has actually been a subconscious topic for all of us, and an unrecognized "casus belli" for the Serbian aggressor. Therefore, the two presidents could not close their hearts, and eyes, to the yearning of their nations. Bosnia had to be had.

And to have Bosnia can be interpreted in several ways: to somehow get or occupy the whole territory, to win the political game in dividing it, to get as much as possible... or to have Bosnia-Herzegovina as it is—not disintegrated. As far as Herzegovina-Bosnia is concerned, Croatia had two basic aims to achieve in the disintegration of Yugoslavia:

to keep Bosnia-Herzegovina out of the so-called rump Yugoslavia, and to have the Croatian people living in their own, independent state. That, as a first step, has been achieved. Serbia has a lot to mourn for.

Two years ago, in the interparty negotiations in Herzegovina-Bosnia, the Serbian Democratic Party offered (yes, it had the nerve) western Herzegovina to Croatia, and tried to win the Muslims over to their side by attempting to bring them into conflict with the Croats—by claiming that the Croats were the ones who wanted to divide Bosnia. The Serbs partly succeeded in that plan: They stratified both Muslim and Croatian politics.

In Zagreb during all this time, apart from the task of defending Croatia itself, almost all political circles, particularly the opposition, were voicing support for a unitary, indivisible Bosnia as a Croatian historical region. Official authorities also promoted the indivisibility of Bosnia on all important occasions when the question of Bosnia-Herzegovina came up. However, certain political circles were infuriated by statements given by the president of Croatia about "the rights of the Croatian people if Bosnia is divided." And there is nothing controversial about that. This is exactly the right time for the Croatian people to fight for their rights in that region, since they have already achieved a very important political aim: independence and sovereignty. Therefore, Croatia should have acted along two lines simultaneously.

If it had only been a matter of an easy division and territorial gain, a large Croatian body would have remained under the terror of "Greater Serbia." On the other hand, if it had only been a matter of keeping Bosnia-Herzegovina unitary at all costs, then the Croats would have doubtless become citizens of Bosnia—an unimportant minority. Asked about the reasons behind the president's statement, one adviser of Tudjman's said: "It is probably that kind of policy."

It seems that during all this time there have been two policies toward Bosnia-Herzegovina, one official and open, which supported a unitary Bosnia, and the other unofficial, or, to put it roughly, staged (semidiplomatic) policy, which has been superbly performed. That "staged" policy contributed to the success of the official one. With the increased possibility of the disintegration of Bosnia-Herzegovina, which the Serbs worked on, and even the Croats sometimes leaned that way themselves, the Muslims backed away from any kind of Yugoslavia in their choice of a lesser evil. They did not like the idea of a "Greater Serbia," so they chose, to the Croats delight, a referendum for independence.

Bosnia has, thus, been politically won; it is already on the west side, which means that the crucial line along the River Drina is beginning to make sense again. The Bosnia-Herzegovina Croatian Democratic Community can lock away in a drawer its painstaking negotiations with the Serbian Democratic Party and Party of Democratic Action, since its solution to the Bosnia-Herzegovina crisis has been accepted. The key to that lock has been turned by the Americans, and the Serbs have cemented it all with their grenades.

All in all, Croatian politics have been a success, since, almost six months ago, it proposed to the twelve in Brussels that they recognize all the Yugoslav republics. They have recognized only four [as published] new states, it is true, but we will turn a blind eye to Europe.

'Captain Dragan' Ready To Return to Krajina

92BA0833B Glina SRPSKI GLAS in Serbo-Croatian
23 Mar 92 p 6

[Interview with "Captain Dragan" by Marina Pjevalica; place and date not given: "I Will Gladly Return to Krajina"—first paragraph is SRPSKI GLAS introduction]

[Text] "We have to learn that everyone should do his own job; that politicians should remain politicians, and soldiers should remain soldiers."

Captain Dragan is a person who has become a legend in just a few months, but also, of course, the most controversial figure in this war, which is unique in many respects, but also a dirty one. His contribution to the liberation of Krajina and in general to the Serbian people's struggle for freedom is not disputed by anyone, but everything that happened after this, and especially the unclear circumstances of his departure from Krajina, have left many people perplexed.

Today Captain Dragan is one of the most popular media figures, and he has used his popularity and the fame that has accompanied him to create what is so far the most humane and most effective organization for assistance to the wounded and their families, and the families of the soldiers who have died in this war, an organization under the name of the "Captain Dragan Fund." It was at the headquarters of that organization in the Beogradjanka Palace that we spoke with Captain Dragan, a person whose real identity is still a secret.

[Pjevalica] Since you are extremely popular in Banija, and especially Glina, to whose liberation you contributed a great deal, but our journalists have not yet had an opportunity to talk with you, first of all we would like to know your view of the actions conducted in Banija at that time, and naturally, your impressions regarding the Banija fighters.

[Captain Dragan] I came to Banija with the task of heading the armor headquarters, and at that time there was not even any plan for any major action or liberation of the territory. When I stepped onto Banija's soil, the first person I became acquainted with was Bogdan Vajagic, who at that time, in my assessment, had the best organized armed forces in that area. There were a large number of people here who were armed and well equipped. Upon my arrival, a widespread mood emerged that something had to be done. Soon afterward, in Samarica, we began to work out three possible plans. One of them was the liberation of Glina, and then the liberation of the western shore of the Una, and then Kostajnica. After that we were supposed to head toward Petrinja and link it up with Pakrac, and unite Western Slavonia with Krajina. Since about 2,500 people would have to participate in that operation on our side, and under those conditions it would be difficult to keep

information secret, it was decided that only three people would know about that operation. These were myself, Bogdan Vajagic, and TO [Territorizirana Obrana] commander Vujaklija. We also informed Dr. Jovic, the president of the Glina SO [expansion not given], about the operation. His task was to arrange that the Army would not interfere with the operation. That was not done, however, and when the operation started at 1000 along the entire 56-kilometer front, we found ourselves in front of JNA [Yugoslav People's Army] tanks, and it seemed that the entire operation would fail. Before that, in order to keep everything secret, about 260 orders were written and sealed in envelopes. This was distributed to the commanders of the units along the entire front, and we spread a rumor in Banija that Slobodan Milosevic was coming to tour the positions, which we used as a reason for the troop movements and maneuvers. Even at 0930 in the morning, no one knew whether the operation would go ahead. I sent a dispatch to Knin by one person, so that it would arrive sometime around 0800 in the morning, so that there was no chance of anyone else's learning about the operation. We needed two to three hours to consolidate ourselves again and to change the plan, because now, in addition to the enemy, we also had to take into account the JNA, which we could only dodge, in view of the overall situation at that time.

The entire operation lasted about 11 hours. When we were preparing the operation, our estimate of the number of casualties on our side was somewhere around 250, because it was still a large operation along a fairly long front (56 kilometers), and that was realistic to expect and tolerable from a military point of view. Nevertheless, we had a lot of luck, and the entire operation ended with only seven casualties. Naturally, every casualty is sad and serious, but from a military standpoint this was minimal, and so I think that it is certainly the largest military operation in this war, but also the most successful one, because we succeeded in liberating an enormous territory with a minimal number of casualties. You probably know that as early as the second day, the Ustase started to withdraw from Kostajnica as well, and they also fled through Kupa. The Croatian Assembly fell apart, Djodan resigned, and general chaos ensued in the Croatian ranks.

The Greek press published this in an interesting way. On the front page they wrote in big letters on three lines, "SERBIAN RAMBO BEAT CROATIAN ARMY; TUDJMAN SEEKS EC MILITARY ASSISTANCE." Don't misunderstand me; I do not consider Rambo a positive figure, nor do I want to build that kind of image, but I want to say how much this was viewed at the time as a very successful operation. Naturally, the credit does not belong just to me; about 20 more people from Knin and about 2,500 fighters went with me. During the action itself, we were distributed in five wedges, and in each wedge that was supposed to break through, there were four special troops. I visited the entire front, but I stayed especially in the eastern wedge, where two of our men from Glina fell, who were also the only casualties in liberating Glina. They died defending a transporter. I was at that position for a while, and I think that we succeeded in keeping control. After the liberation of Glina, when we entered the police station,

those signs, those sights, and the messages we found there were terrible, and then I was convinced that this was not just a struggle against those Ustase, but a struggle against fascism in general.

I can boast that on that day not one civilian suffered in any of our actions, and that there were no unnecessary human casualties or extensive material damage. There was no looting or abuse of prisoners. It was an extremely successful and well-organized operation. Unfortunately, immediately after that battle, on the very next day I received an order to leave Banija and return to Belgrade. The people from Knin were soon demobilized. They were demobilized by Milan Babic, who then took over the command of the Krajina armed forces. I think that since that day things have gone downhill for the defense of Krajina and for the Serbian people in general. In fact, we have to learn that everyone should do his own job—that politicians should remain politicians, and that soldiers, especially professionals, should remain soldiers. Someone was obviously trying to draw me into politics at any cost, but likewise, the politicians wanted to become soldiers at any cost.

When I returned to Belgrade, so that I would not sit idle, and since I did not have any intention of working outside the system and creating a private army, I decided to become involved with the wounded. At the very beginning, a large number of wounded people arrived who needed help, and that is how this Fund arose. Now it has certainly become the largest institution in Yugoslavia that is concerned with the wounded and their families, and the families of fallen soldiers.

Otherwise, I hope that someday some minister will have enough sense to let me work again in the defense of my country, because it is something that I know how to do best. I can also do these things well, but I still work best on defense issues.

[Pjevalica] A great deal of work is being done just these days to consolidate the Krajina police. They are being

organized and trained. Have you had any contacts with the Krajina authorities in connection with this, and has anyone called upon you to help?

[Captain Dragan] No, I have not had any such contacts. I think that there is still a political blockade and that certain politicians are much more concerned about my not expressing myself than about completing a certain job properly.

[Pjevalica] If those politicians nevertheless realize that everyone should do his own job, and invite you to Krajina, will you respond?

[Captain Dragan] Yes, yes.... Absolutely. I have already said that it is something that I know how to do best, and that I can contribute the most there, but I do not have any intention of doing it outside the system or imposing myself. If I receive an official invitation, I will be very glad to respond.

[Pjevalica] In spite of the cease-fire, there is still fighting going on in Banija, people are dying, and there are wounded. Our fighters are at their positions day and night. Since they appreciate you there and are not forgetting your contribution in liberating Glina, do you have any message for them?

[Captain Dragan] I have a message for them. I want to remind them that this Fund is their organization, and that each of them and also the members of their families, especially the families of fighters who have died, can always turn to this Fund, because it was created for them. We have a representative in Glina, and we also have one in Dvor and Knin. They should not hesitate to ask for everything that they need. For my part, I will do the most that I can to make this possible for them.

As far as the defense itself and my participation in it are concerned, if the fighters want me to come back, they should demand that their politicians invite me to do my job. If the politicians make that decision, I will be with the fighters of Banija once again.

PLO Ambassador's Statement Criticized

92CH0466A Prague RESPEKT in Czech 5 Apr 92 p 4

[Article by Zbynek Petracek: "... A Reminder of Heinrich Himmler: Extremely Flexible Truth About the Holocaust"]

[Text] The "Auschwitz lie" is an expression that has recently been assimilated into the political and historical vocabulary. Trivializing or denying the Holocaust and its victims finds a responsive echo in the dregs of society, but because of its heinousness, it frequently attracts the attention of the courts—at least in democratic countries. The 50th anniversary of the first deportation of Jews from Slovakia recently showed that one must take the bull by the horns. On 25 March, a symposium on the tragedy of the Slovak Jews was held in Banská Bystrica; among others, Samih Abd al-Fattah, the state of Palestine's (as published) ambassador extraordinary to Czechoslovakia sent his message to the participants. One of the sentences contained in his letter is as follows: "If, on the occasion of this tragic anniversary, no mention is made of the Holocaust, which the Palestinian people are now experiencing themselves, this could be interpreted as indifference toward the repetition of such a tragedy in the life of another nation."

"Barbaric Israeli Despotism"

The Palestinian ambassador is not lying, he is not denying historical fact, but he is turning the genocide of Jews into a propaganda tool, i.e., in principle, no different from what delegate Panis or "alternative historians" do. In the final analysis, they all aim at one thing: to prove that the Holocaust is a political issue, which Israel is turning to its own benefit. Karel Kovanda quoted the French historian, Robert Faurisson: "...the alleged genocide of the Jews made possible an enormous political and financial fraud, which was primarily exploited by Israel and international Zionism." Samih Abd al-Fattah is coming from a different direction, from sympathy with the victims, but the result is the same: "The memory of the holocaust will lose its significance unless the Jews in Europe and the world assert justice in the face of Israeli aggression and occupation."

There is no question that in Israel itself and in the occupied territories there are constant outbreaks of violence: Israelis against Palestinians, Palestinians against Israelis, even Palestinians against one another. In many cases, Arab terrorists are to blame (fundamentalists within their own ranks are to blame for a good half of the victims of the insurrection), in some cases, the blame lies with the Israeli army or police, which, like everywhere else in the world, are not saints. However, when the Palestinian ambassador speaks of "barbaric Israeli despotism" and of the Holocaust in the same breath, it is a manifestation of arrogance toward the six million killed. After this, the statement about collective blame almost seems like an expected afterthought: "...the honor of Jews throughout the world will remain stained with the mud of the Israeli occupation and the blood of its Palestinian victims unless they distance themselves from this occupation and recognize the reality of Palestinian rights."

It is not so much a matter of a civilized statement as that of understanding the essence of the issue: The transports and the gas chambers were merely the final item on the balance sheet of the Nazi bosses; it started with an elaborated plan, a perfectly functioning mechanism, and, above all, a bureaucracy. It was a matter of state-approved systematic extermination of a precisely defined group of people. Admittedly, there is a retired general from the Zeev in the 120-member Knesset who openly talks about the possibility of transferring Palestinians, but the Palestinian representatives would do better if they turned to the Sudeten German Landsmannschaft with such an analogy than to the participants in a symposium on the Holocaust.

First-Hand Information

Samih Abd al-Fattah is right about one thing: "In today's world an individual can no longer state that he saw nothing and knew nothing." As a result, not even he can blame his absurd comparison on ignorance, especially since the Palestinians' information about the Holocaust was obtained, so to speak, first hand. The then grand mufti of Jerusalem, Amin al-Husseini, the most influential Palestinian of his day, spent a considerable part of World War II in Germany and its satellites (for example, in Yugoslavia he recruited 20,000 Muslims into the lamentably notorious Handzhar division of the SS). Last year employees at the Simon Wiesenthal Center discovered some interesting documents in the UN archives—the grand mufti's diaries and his correspondence with Nazi offices from 1941 to 1942. One letter states: "Germany and Italy recognize the illegality of the 'Jewish home in Palestine.' They give Palestine and other Arab countries the right to solve the problem of the Jewish element in Palestine and in other Arab countries according to the interests of Arabs and using the same methods as are now being used to deal with the problem in the Axis countries."

Amin al-Husseini met with Hitler, Himmler, and Eichmann. It was not possible to verify the information that he visited Auschwitz, Mauthausen, Theresienstadt, and Bergen-Belsen accompanied by Eichmann (see the report "Fugitive Nazi Criminals in the Near East and their Present Roles," Documentation Center of Jews Persecuted by the Nazi Regime, Vienna 1967). However, the New York archives convinced the representatives of the Wiesenthal Center that the mufti requested German aid in Berlin to establish concentration camps in the Near East. A photograph taken in July 1943 also cannot be denied: Amin al-Husseini with the Reich leader of the SS bearing the dedication "to His Eminence the Grand Mufti as a reminder of H. Himmler."

Today it is not a matter of trying to disgrace the former mufti of Jerusalem. Every nation had its collaborators during the war and, in this sense, the best way to deal with the past is to place the proverbial period at the end of the sentence. Nor can anyone deny the Palestinians' right to champion their own cause. But this depends on their representatives and the status they attain in the world. There were plenty of Arab representatives (including Palestinians in the occupied territories) who denounced the attempted assassination at the Israeli Embassy in Buenos

Aires two weeks ago. The ambassador's twisted and absurd juggling with the Palestinians' holocaust will obviously not get much sympathy under these circumstances.

Czechs Prepare for Defense Against Terrorists

92CH0466B Prague RESPEKT in Czech 5 Apr 92 p 6

[Article by Jaroslav Spurny: "Terrorism Is Coming: The Czechoslovak Police Are Seeking a Method of Defense"]

[Text] According to a report by the federal minister of the interior, Czechoslovakia has now joined those countries on whose soil international terrorist activities can be expected in the near future. Some reports contain an even more urgent warning: Using the future tense is allegedly inappropriate, as some of the crimes already have the features of terrorism. The underlying cause may be drugs (during the last two years the police have seized a larger quantity than during the whole communist era), a change in official policies toward countries such as Libya and Syria, arms, and many other things. And we have no choice but to create special antiterrorist units such as exist in all developed countries as quickly as possible.

Republic police action teams started to be created in all krajs about 10 months ago. Ideas about what they should be like and how they should function differed from place to place, and they started to become unified only recently.

Some officials from police headquarters say that the physical admission tests for candidates are very rigorous and that training is of a very high standard. The facts are slightly different. The physical admission tests could be passed by any average able-bodied individual. They are expected to become much more rigorous in the future: about the same as those set in the North Moravian region, where training includes parachute jumping, rappelling, and deployment from a helicopter, etc.

A lot depends on the commanding officer and the instructors. "Some of the units are commanded by people who have been in the police force for twenty years and it shows," says Major Z. Krejci, head of the CR [Czech Republic] Police, Department of Military and Special Services. "They are seriously hindered in their work by a number of habits from the past."

There are no special psychological tests. According to Major Krejci, they are unnecessary: "Only policemen are admitted into the units and they had to pass all-day psychological tests earlier. They eliminate some deviants."

The members of the action teams go through special target practice, they exercise to build their strength, they train in observation and quick reflexes, and in hand-to-hand combat. Major Krejci says: "Sometimes we get people who, for instance, know judo. This is frequently a hindrance. Judo is too simplistic a sport."

Policemen who undergo this training should do so based on experience from their studies at the police academies. However, it has been shown that the little they learned is not nearly enough. The Republic Ministry of the Interior is in the process of drafting an agreement with the FMV [Federal Ministry of the Interior] Rapid Action Team,

which may improve cooperation between the two special units. At this time, they tend to be jealous of each other.

The Federal Rapid Action Team is usually known as the URNA (Rapid Deployment Unit). It was created in 1981 and for some time it was under the Ministry of Defense; now it belongs to the FMV. It can only be deployed with the consent of the minister and only in cases stipulated by law: against terrorists, to deal with prison riots, to cooperate with antidrug departments, and to protect important foreign delegations.

A minimum age limit of 24 was set for admission to the unit. The applicant has to undergo rigorous physical tests and—in contrast to the action teams—also a number of psychological tests. "The public often erroneously believes that we emphasize the aggressiveness of the applicants. It is just the opposite. Only well-balanced and sound individuals may serve in the unit," says the unit's psychologist. "If someone takes too many risks, he does not stand a chance here. The members of the unit must be aware of the consequences of their actions. Essentially, their training never ends."

Speed is essential if they have to go into action. "We have planes and helicopters at our disposal. If we are on call, we can get to any part of the republic within 60 minutes. If we are not on call, we can do so within two hours," says M.K., the commander of URNA, "in the case of the Leopoldov prisoners' riot, we landed at Bratislava airport at about the same time as the Slovak action teams were being told about the incident."

The unit is in contact with Western experts. M.K. says: "They have more experience. We adopt those methods that we find suitable." Apparently foreign experts expressed admiration for URNA's actions at Mosnov where a 10-member commando team occupied the whole airport at lightening speed and without firing a shot. At the time, Minister Langos said: "The public will have to get used to similar actions." Luckily, his prediction has not come true so far. Apart from Mosnov and Leopoldov, the members of URNA have only been deployed in Piestany where an armed man held one of the spa guests hostage, and in Prague where they provided security for Chancellor Kohl's visit and the CSCE congress. All three actions were successful.

Kroupa on ODA's Program, Other Parties

92CH0478A Prague HOSPODARSKE NOVINY in Czech 31 Mar 92 p 9

[Interview with Daniel Kroupa, deputy chairman of the Civic Democratic Alliance, by Jana Havligerova; place and date not given: "A Truly Conservative Party"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] Federal Assembly delegate Daniel Kroupa is the deputy chairman of a party that is not numerically very strong in the parliament. However, it is impossible to disregard the Civic Democratic Alliance [ODA]. It is active; its members have submitted important legislative initiatives. It can be seen quite well also in terms of the

personalities which represent the ODA in the Czech and in the federal governments—Tomas Jezek, Vladimir Dlouhy....

[Havligerova] How does your program differ from that of the other Czech right-wing parties?

[Kroupa] The Civic Democratic Alliance is a truly conservative party. And it, therefore, does not believe the notions according to which it is possible to change society through a single revolutionary act. We are convinced that a natural change in society comes about as a result of slow gradual steps, education, enlightenment, and as a result of the development of culture. We further believe that a market economy and a state of law, together with democracy, can be maintained in the long run only in a society which is ready for their functioning, a society which we characterize in the Czech lands as the Masaryk concept of humanity. In other words—these things mutually augment each other and one cannot exist without the other. That is why our program is aimed at education and enlightenment, to support culture, to support solidarity, to support the activities of religious congregations, and to support efforts to awaken in society something which we call social responsibility. It is only with this type of background that we see the opportunity to form a functioning state of law which we perceive as a government of laws and which, in our view, should differentiate between private and public legislation. This is a certain element which is quite specific in our political scene.

These are the principles on which our notion of a new constitution is based. We believe that the role of the president should be strengthened—as a stabilizing long-term factor, that the role of the executive should be strengthened by the election of a prime minister, and that the danger of dictatorship on the part of the majority, which is a threat under democracy, must be countered by a bicameral parliament. In other words, it is clear that we devote fundamental attention not only to the economic transformation of society, but also to its ties with the other areas. We approach the economy itself more from the standpoint of legal certitudes. We believe that a key condition is the clarification of ownership relationships, that there is a need for good private legal legislation, that is to say, a civil code and a commercial code which will have the character of laws applicable to everyone equally and which will disregard the number of cases to which they are to be applied. In other words, these laws should not be perceived as the means for supporting or suppressing any kind of a group of entrepreneurs or consumers. For purposes of clarifying ownership relationships, the ODA contributed the concept of privatization, in which it shared to a decisive extent. I will probably not tell you any secret if I remind you that Tomas Jezek, who was one of a few economists at the time, was asserting the necessity of privatization as a part of the economic reform. And this means privatization in all of its forms. Both in the form of natural restitution, and also in the form of auctions, and the coupon method, whose application he was asserting from the very beginning.

One of the program goals of the Civic Democratic Alliance is also an attempt to offer itself to society as another type of political partisanship than that offered by the activist-type parties. By this, I mean the parties which represent the interests of a single social grouping, which are attempting to indoctrinate all age groups and which are trying to assert these interests at the expense of the interests of others. The ODA is conceived as a political party with an ideological aim which pursues the general interests of society, a party which is an electoral party, which means that it offers voters a certain set of politicians, specialists, and organizers and, in the final analysis, is a political party, the policies of which are decided upon more by voters themselves than by party secretariats. This is expressed in the statutes of the ODA by the special role ascribed to the Political Committee, which is composed of elected representatives.

[Havligerova] You spoke of the approach by the ODA to the economic reform. It is truly different than the approach of, say, the ODS [Civic Democratic Party], and yet I believe that it is precisely thanks to the economics ministers that the public perceives you to be virtually identical with the ODS. What is your relationship with the Civic Democratic Party?

[Kroupa] If people regard the parties of the democratic right from a leftist-right perspective, it is possible that they could confuse these two parties somewhat. However, if this socializing viewpoint fades into the background, specific differences become apparent. While the ODS approaches the formation of a market like a certain mechanism which is to be formed and properly managed, the ODA perceives the market to be like an organism. Like a plant, which requires care. In this spirit, we can speak of differing accents. Vladimir Dlouhy emphasizes the necessity of supporting the small and medium business community as an important stabilization element of the market economy. Vladimir Dlouhy also points out certain gaps which are emerging in asserting the economic transformation and these gaps must be filled. By the way, in this connection, I must note that the ODA not only has economists in its ranks who are active in the governments and in the parliaments. We also have a number of other specialists who make themselves felt in individual cases we are compelled to solve. One of these important areas is the housing market. Our specialist in this matter is Docent Cepl, who came up with a total concept of the transition to be made toward this market in such a manner as to protect both the rights of renters as well as the rights of owners. Now, the ODA in the Federal Assembly is promoting a law on apartment ownership according to the so-called condominium principle, a law which makes it possible for citizens, renters, to buy an apartment in a house, provided the owners so agree. If the state is the owner, which will be the case very frequently, this will make it possible to solve the privatization of the housing inventory.

[Havligerova] I want to return again to your relationship with the ODS. The deputy chairman of that party, Josef Zieleniec, so to speak, made an offer to some important personalities of the ODA in *RESPEKT*, No. 11. He put it

this way: There are also parties which need not end up in parliament and have very high-quality personalities. Without regard to the election results, we shall collaborate with such people as V. Dlouhy, T. Jezek, J. Kalvoda....

[Kroupa] Under such circumstances, there is no other way except to repay with a good deed and to assure them that, in the event the ODS fails to get into the parliament, we would, of course, figure on Vaclav Klaus being our next minister of finance. But all joking aside. I believe that the situation in which the ODA would fail to get into parliament is really not a threat. We are noting an avalanche-type growth of support by the public and we are trying not to disappoint the people. As I have already said, the goal of the ODA is to pursue the general interest and we consider the general interest in these elections to be the victory of the reform forces. We place this interest ahead of our party interests. That is why we believe that it would be a disaster if the ODS, as well as the ODA and any other parties with these aims, were to suffer defeat. We truly do not wish them ill and have no desire to acquire voters at their expense.

[Havlingerova] Which parties from our political scene are your potential postelection partners and what kind of collaboration do you intend to avoid?

[Kroupa] At the federal level, we will seek out allies in Slovakia, particularly within the ODU-VPN [Civic Democratic Union—Public Against Violence], in the Democratic Party, and in the Hungarian Civic Party. We will not even avoid collaborating with the KDH [Christian Democratic Movement], as long as the most recent changes in this movement truly signify a direct decision in favor of a joint state. We will most definitely be rejecting any parties which are interested in disintegrating the republic. On the Czech political scene, we find collaboration with the Communists and with the Social Democrats and with other parties which are active in this side of the political spectrum totally unacceptable. In view of the fact that the most recent election polls indicate that voter support for the Civic Movement is declining, there seems to be little sense in responding to the question of possible collaboration with the Civic Movement. However, I would like to remind you that we do not have the best experiences collaborating with the Civic Movement over the past two years.

[Havlingerova] Let us stay on the federal level. The relationship with the ODU-VPN appeared to be substantially closer until recently than is the case now. What has made the announced alliance more complicated?

[Kroupa] The elections are coming and the necessity to commission certain work to be done in the preelection campaign compelled us to set 28 February as a decisive date for the decision as to whether we will handle our campaign on a federal level or on a republic level. We offered the ODU-VPN not merely a declarative coalition, but one which, in the sense of the law, requires that the 7-percent barrier of votes be exceeded. We were convinced that a joint campaign on the federal level would be cheaper for both parties and would thus give rise to a federal force

which would have no problem exceeding the 7-percent barrier. Our friends in Slovakia had less confidence in themselves and I fear that it was precisely this skepticism which prevented them from telling us of their decision for or against a coalition. Thus, we believe that they are not interested in a coalition. Of course, in forming such a coalition, various views surface, even views regarding the public appearances of individual representatives. Just like they had some reservations regarding some of our representatives, we had reservations regarding some of theirs. But these questions appeared to us to be very easily solvable and void of problems.

[Havlingerova] From the program of the ODA, as you have outlined it, it appears that you are looking to the future. What do you feel about such parties as the KAN [Club of Nonaligned Activists], which essentially deal only with the past?

[Kroupa] A good program is a program which preserves the unity of time dimensions, the past, the present, and the future. In our state, these three dimensions symbolize three things. The future is very legislative, the present is very executive, and the past is very judicial. And a good state is one in which these three powers are separated, but form a unified state together. We also believe that it is necessary to solve the problem of the past by judging it, by possibly condemning it, and by forgiving it. It is not our goal to liquidate anyone or to prevent anyone from participating in the life of society. We believe that it is necessary for all our citizens to have standings of equal rights. But it is not possible to close one's eyes to unnamed and unpunished crimes. But to think that this is an adequate program is naive—it could have tragic consequences. Our eyes are truly set on the future, and this is true even with regard to past matters. We believe that it is an immensely important message for our citizens to know that even people in power who commit crimes will be punished for their crimes. And that it is not true that it is enough for a person to seize power for a sufficiently long period of time in order to permit one to commit crimes. It is for this reason, precisely for this future sense, that we are attempting to come to terms with the past.

[Havlingerova] What then, if the Civic Democratic Alliance does enter into the new parliaments, will be its first postelection interest, what kind of laws will it attempt to promote?

[Kroupa] The first interest will be the establishment of a strong government majority and a stable government. In the constitutional system, we shall strive, as we have striven thus far, for the elimination of nonsensical methods of voting which prohibit defeat of a motion by majority vote, a method which in no way guarantees the rights of nationalities, as some are led to believe, but which only leads to giving great power to the extremist minorities. We shall strive to achieve the most rapid termination of reform steps possible so as to overcome the transitional period and let the economy develop in a stable environment.

Election Program of Liberal Social Union

92CH0467A Prague MLADA FRONTA DNES in Czech
1 Apr 92 p 7

[Commentary by Tomas Marek and Petr Novacek: "Liberal Social Union Program Called Realistic: Milos Zeman's Vision Is Easy To Read but Not Convincing"]

[Text] The week before last, the Liberal Social Union (LSU) was registered as a political movement by the Czech Ministry of the Interior. It has two collective members, the Czechoslovak Socialist Party (CSS) and the Agrarian Party (ZS), as well as individual members. The chairman of the LSU is Frantisek Trnka, who is also the chairman of the ZS. The vice chairmen are Ladislav Dvorak, chairman of the CSS; Ales Mucha, leading representative of the Green Party; and Frantisek Melich of the Farmer's Movement.

The enumeration of the union's officials clearly shows the original purpose, which was to make the LSU into an electoral coalition. However, now that it has become a movement, all it needs to do is get 5 percent of the votes in the election and it will be assured of representation in the Federal Assembly and in the Czech National Council.

On 17 March, the LSU published its election program for three generations in two dailies, SVOBODNE SLOVO and VENKOV. Its primary author is Federal Assembly member and forecaster Milos Zeman.

Friends of T.G.M.

The LSU lacks any conceptual (not ideological—no one is going to miss that) features. Visually, this gap is to be offset by the introductory maxim and another four quotations from T.G. Masaryk, which form a frame for the wording of the program. The truth can best be seen from the example of the maxim. "Preservation means growth and constant enhancement. Every year should seem as if an individual had climbed one rung higher up the ladder," was truly written by T.G.M. What he had in mind was constant spiritual, cultural, and moral self-improvement. However, using Masaryk's idea as a counterpoint for the subsequently described economic and social disaster, allegedly caused by the government through national sacrifice, is inappropriate and rather tasteless. It is reminiscent of the recent Marxist-Leninist juggling with quotations from the classics.

On the other hand, what is appropriate and what excellently characterizes the LSU's program is its division into five sections with significant headings: Our Present Situation. Program for the Younger Generation—Full Access to Education. Program for Adults—Work and Co-ownership. Program for the Older Generation—Protection of the Standard of Living. Program for Everyone—Safe Environment.

Populism, Raising Wages

The Liberal Social Union's program contains several passages that need further explanation. One of them is as follows: "We will implement the liberalization of wages in such a way that their growth will not be tied up by present administrative regulations. We reject the belief that wage

growth necessarily leads to inflation. This can only happen if it is not accompanied by a growth in labor productivity. It is this pressure on improvement of performance that we wish to exert."

In Czechoslovakia pressure on the growth of labor productivity has a tradition of many decades of various resolutions and totally senseless practices. At this time, labor productivity is dropping primarily because a drop in productivity is considerably faster than the decrease in the number of employees in enterprises. These are inexorable and unalterable facts.

At the present time, wage regulation only exists in the cost, and not in the profit, factors. In practice, this means that enterprises may raise wages as long as this is to the detriment of their own profits and not to that of the consumer; in the latter case, higher wages would be included in the price of the product.

According to the LSU program's logic, wage controls would be eliminated. Theoretically this really could lead to an increase in labor productivity (the LSU program does not mention any other method that would do this), because the enterprises, in an attempt to provide better pay for some of their employees, would fire superfluous ones more quickly. However, if the LSU expects to be able to vitalize the domestic market through such actions, many years of experience abroad would prove that it is not a matter of parallel processes.

Primarily, a dramatic increase in unemployment would eliminate the citizens' purchasing ability and, second, including higher wages in the costs would result in a rapid increase in prices and thus in the beginning of an inflationary spiral just as in Poland. After all, the main reason for wage control is not fear of the citizens' high purchasing ability, as may seem the case from the LSU's interpretation, but fear of the inclusion of wage costs in prices.

Social Promises

The following passage is contained in another section of the LSU's program: "That is why we pledge that if we win the elections, we will ensure consistent protection of pensions against inflation by regularly adjusting them to price movements so that the real living expenses of pensioners will not continue to increase."

In 1991 the real living costs in Czechoslovakia, according to official statistics, rose by 24 percent and monetary incomes from social benefits by 20 percent. That is clearly the highest of all legal incomes (naturally apart from business activities). The speed of the growth of social benefits evoked angry responses from the representatives of the International Monetary Fund and other financial institutions on several occasions. The burden of such expenses on the budget is enormous and moves close to the limit, or rather goes beyond the limit, of economic performance. It is also one of the crucial regulations that prevents a state from aiding the economy through tax breaks and other measures. This is because the government is obligated to ensure such expenditures by law. The statement in the LSU's program that the behavior of the state

toward pensioners is one of many examples of the social and economic insensitivity of economic policies to date, contains downright demagogic elements.

Privatization Envy

The LSU's attitude toward small privatization, and ultimately to privatization in general, is extraordinary. The program states about auctions that: "They primarily led to the laundering of domestic and foreign dirty money, whereby those citizens with business talents but not have enough initial capital could not assert themselves." This is merely a slightly altered version of past statements by the KSCM [Communist Party of Bohemia and Moravia] that auctions in small privatization merely serve to launder dirty money (the difference is in the adjectives). The statement is aimed not at those individuals who did not take part in the auctions simply because they did not want to, but at that part of society that a priori does not trust politics and always assumes fraud is involved.

Dreams of a Trifederation

There are also passages that deserve more detailed analysis in the political sections. "We will create conditions for the instantaneous declaration of Moravian and Silesian autonomy, and—after agreement with our Slovak partner—this will best be done through the declaration of a three-member federation, that is, a federal organization of the states or a temporary territorial organization within the framework of the Czech Republic."

The LSU program pretends that its creators thought up this solution themselves. This simply is not true. The Czech National Council (there are no LSU representatives in it) is going to discuss the plan for territorial organization during this electoral period based on a governmental draft of a bill. The idea that a three-member federation could be created within a historically short time frame is a utopia which no one, probably not even members of the LSU, believes.

Mighty Democrats

In his solemn speech for the 95th anniversary of the founding of the Czechoslovak Socialist Party (naturally, it had a different name then), Ladislav Dvorak, chairman of the CSS, stated that "the LSU wishes to be a mighty democratic movement that is politically centrist and that will create an alternative economic program aiming to transform our national economy into a socially and ecologically oriented market economy." According to what he said, the LSU is offering a realistic antirecession program.

We presume that the chairman also had another text in mind in addition to the one published in SVOBODNE SLOVO and VENKOV on 17 March. Among other reasons because there is almost no mention of agriculture or the ecology in the program of issues, although the Agrarian Party and the Green Party are linked to the LSU. Also because there is no mention of the housing problem, the health service, or about how the education system will be financed.

Challenges Facing Czech Higher Education

92CH0472A Paris LE MONDE in French

26 Mar 92 p 13

[Article by Catherine Monroy: "Czechoslovakia Between Two Versions of Elitism"—first paragraph is LE MONDE introduction]

[Text] Only 15 percent of young people have access to higher education. Ideological criteria have given way to the laws of the marketplace....

"Profession of parents? Are you of peasant or worker stock? What party do your parents belong to? Have they done anything for socialism? Would you like to join the Communist Youth Movement?" Irena, now a 40-year-old French professor, remembers having to answer these critical questions to gain admission to the university. Not brought up in proletarian surroundings—which would have looked good on the socialist statistical registers—or related to a Communist nomenklatura family, she nevertheless had excellent test scores and was lucky enough to be a very good student. As a result, she was able to pass through the party's ideological filters and join the happy few who got into college.

Contrary to what one might well imagine, communism was never an egalitarian system. Except on paper. The results of this selective practice may be seen in the OECD report published last year: In Czechoslovakia, 15 percent of children have access to higher education, compared to 35-45 percent in West Europe.

Since the velvet revolution of November 1989, the system has lost its nepotistic character. But it is still elitist: At Charles University in Prague, out of 30,000 students who apply each year, only 4,000 are admitted. "There can be no question of lowering educational standards!" exclaims Mr. Radim Palous, rector of the prestigious Prague university. "Don't get me wrong," explains assistant rector Josef Pacak, "we would be willing to welcome additional students, but we simply don't have enough classrooms or budget resources to increase enrollment without damage to educational standards."

Bleak Perspectives

Of course, those rejected at Charles can always try again the following year. But the likelihood of success is hard to gauge, since no formal instruction is offered on how to prepare for the competition. Two years after the revolution, things have come full circle: Except for children of educators allowed to enroll tuition-free, the only beneficiaries of higher education are children of former party officials. These latter, many of them now back in private life, are among the few people with enough financial resources to send their children abroad or pay for special courses.

The other unlucky students are at a dead end, because in Czechoslovakia there are no shorter postsecondary certificate courses. They must either join the ranks of the unemployed or take jobs as warehousemen. All of which is to say that the outlook for 18-year-olds with high school diplomas is not bright.

With so much at stake, the pressure and anxiety weighing on young people and their families is very intense. This tension accompanies them from start to finish in their academic careers. After nursery school, the slower children are separated out: Both retarded and disobedient children, including many Gypsies, are sent to special schools.

Once this triage has been performed, the real competition begins. After primary school, children may compete for entry into two high schools selected by their parents. If they fail, it is all over—for life: They will be admitted into what is politely called "ninth grade," where they will remain for one more year to comply with the law that makes 10 years of schooling obligatory. Then they are pointed toward construction, agriculture, or the nursing professions.

If education is to be democratized, the entire system must be reformed. Such a restructuring is essential if Czechoslovakia hopes to achieve the objective it has set for the year 2000: that 25-30 percent of high school graduates will have access to higher education by then.

Teacher Shortage

Since the first weeding-out in university competitions is based on language skills (not subject matter), the Ministry of Education has put special emphasis on this area. The arduous task has been entrusted to Mr. Pavl Cink, head of the the ministry's languages section: "Two weeks after the velvet revolution, the decision was made to eliminate Russian as an obligatory language; I do not know if you can

imagine the panic," he says with a smile. "Overnight we had on our hands 7,000 surplus Russian teachers and a tragic dearth of instructors in German, English, French, and Spanish."

Since then, 2,000 of the Russian-speakers have successfully made the switch to a Western language. To meet the urgent demand, Pavl Cink also opened the door to unlicensed persons recruited at the high-school level. But he is by no means out of the woods yet, since there is still a painful shortage of instructional personnel: With salaries of 3,100 korunas per month after 20 years' service (about 620 French francs), at a time when the average wage is about 4,000 korunas, some linguists much prefer employment in a foreign city, where they can get jobs paying two or three times as much... working as a secretary.

For the moment, most professors seem willing—and the transition from socialism to capitalism requires it—to join the doctors and pharmacists as society's poor relations. But this year those other professions will go into the private sector, so it is a good bet that fewer and fewer people will aspire to enter the teaching profession.

And it is very ironic, since on 23 March this year Czechoslovakia will celebrate the 40th anniversary of the birth of Jan Amos Komensky, better known as "Comenius." That great Czech humanist, dubbed "the professor of the nations," defended the idea that a corrupted world could be reformed through wise education. Obviously a dreamer....

Business, Politics in Draft Communications Law

92CH0492A Budapest FIGYELO in Hungarian
26 Mar 92 p 14

[Interview with Mihaly Dohan, chief of the Office of Experts at the Local Governments' National Interest Group for Information, by Janos Budai; place and date not given: "The Birth Defects of the Legislative Proposal on Telecommunications; On Line: Business, Lobbying, Politics"—first paragraph is FIGYELO introduction]

[Text] We dealt with the draft telecommunications law last week and described the undisputed, attendant problems. On this occasion we interviewed Mihaly Dohan, the most consistent critic of the draft legislation. He is the chief of the Office of Experts at the Local Governments' National Interest Group for Information.

[Budai] Your organization not only exerted criticism but also advanced specific proposals. What has happened to the study you published early last summer?

[Dohan] It amounts to a fiasco in light of the completed draft legislative proposal. The ministry ordered a strategic study on telecommunications development from an American consulting firm that specializes in this field, and I had an opportunity to review that study. The consultants examined several models, and the regional model won out over all other alternatives, based to their evaluation. We could say that the regional model is the same as ours.

[Budai] Why was it a fiasco then?

[Dohan] Having seen the draft law and draft concept we feel that the PROFESSION—in all capital letters—concluded that the Americans were laymen, because they were unable to come up with anything better than we did, outside the caste.

[Budai] Nothing of the system-changing ideas appeared in the repeatedly new plans?

[Dohan] Well, I would not say that. In the end, the ministry managed to put together a conceptual plan which included a few things, except that these things appear in an overly nationalized form. The wording is hauntingly reminiscent of socialist political economic philosophy. Just one example: "... It would be impermissible not to allow the state's will to prevail, leading to a situation in which enterprise and state interests could not be streamlined."

[Budai] We will be burdened with the results of such principles—the debt burden—for many years to come. But the other extreme, the night watchman state is no solution either.

[Dohan] Of course. The most important issue in the framework of new telecommunications policy is how to change the state's role. Having studied the most developed American and British approaches, we recognize that in those countries it is the basic function of the state, or more accurately: of the telecommunications authority, to synthesize often conflicting interests into the public interest, and to enforce the public interest in the framework of legislation, regulations, and in the shaping of the market

and the industry structure. We regard this as an active telecommunications policy, as compared to a passive policy that is going on at present: The state watches what MATAV [Hungarian Telecommunications Enterprise] is doing, and it supports MATAV at least through guarantees, if not necessarily in the form of direct funding. I will give you an example of the conduct we feel is desirable. In the United States it has been known as a result of 200 years of experience that competition is in the public interest. For this reason they are constantly trying to increase and maximize competition. They tolerate any restriction on competition only if the needed conditions cannot be established. At that point, however, they establish solid rules of operation, to prevent monopolies from abusing their position at the expense of society. This is how the public interest is enforced.

[Budai] Unfortunately, this is not the case in Hungary. To the contrary, generally speaking, monopolies have more opportunities to influence legislation than anyone else.

[Dohan] One of the ways they are doing this is by misleading both the public and the decisionmakers. One of the daily newspapers carried a series of articles on telecommunications in early February. In one of these articles MATAV leader Sandor Krupanics had this to say: "Accordingly, we are not opposed to competition.... We consciously endeavor to find appropriate partners." This sounds nice, the only trouble is that the one who enters the market under the supervision and with the agreement of the monopoly is not a competitor, but a vassal. Based on this, we could also regard the vegetable market controlled by the Mafia on Bosnyak Square as the classic model for competition. In both instances the participants at the marketplace have as much latitude as is permitted by the organization that stands behind them. But Westel carries the palm in terms of distorting facts. They deny the lack of competition. This situation is akin to a runner receiving a 9,000-meter advantage on a 10,000-meter course, then complaining about the cruelty of the competitive conditions.

[Budai] But this pseudo-competition also requires vassals, to use your term.

[Dohan] One need not go far. In the series of articles I mentioned before, Pal Szoke, representing Kontrax Telekom said that "... this is the kind of market where the presence of the state sector is a necessity." Szoke knows that this is not true, but since he received part of the business he now takes the vassal's oath. Muszertechnika [Instrumentation Technology] manifests similar conduct by now. A few months ago this firm could not repeat often enough to local governments that behind the impossible situation in Hungary "... there stands the enterprise called MATAV, a state monopoly, which increases its own assets as a result of investments made by individuals, and by privatizing itself it transfers these assets into foreign hands." Recognizing the competition has by now been ruled out by the draft law, Muszertechnika claims that "... it is necessary for MATAV to coordinate and to define the conditions for market entry, and also make choices as to

who can stay in the market, of course." In other words: let MATAV be the state within the state.

[Budai] It now appears that the government has recognized the mistakes, at least some of the mistakes. What should the public be aware of when the new legislative proposal appears?

[Dohan] First of all, it would not hurt to know about the professional quality of the work. Our problems were not only conceptual. It has been almost five years since they began rewriting the law, but instead of having settled concepts and clearly defined interests one could expect after such long time, the draft contains things like this: "The totality of the telecommunications network, of a certain part of the telecommunications network and of the rest of the telecommunications network." In other words, the telecommunications network equals its own multiple, just like zero in mathematics. Another example: "... The junction is the ultimate point of the network." I could mention a dozen examples like this.

[Budai] But mistakes like this can be corrected with relative ease.

[Dohan] This is true in principle, but experience shows that confused concepts result in confused talk. Aside from that, the proposal includes paragraphs which prove the old thesis, according to which talk and writing are means to conceal thoughts.

[Budai] What should or could be concealed here?

[Dohan] For example, they forget to tell the representatives that in Hungary there are two long distance and international networks. One belongs to MATAV, the other to the Broadcasting Enterprise. The legislative proposal contains a coarse fib when it calls the latter a "separate network," because it is capable of performing what MATAV is not: to transmit pictures in addition to sound. Thereafter the legislative proposal grants permission to the Broadcasting Enterprise not mentioned by name, to "yield" to MATAV the free capacities of its separate network "not suited for their intended use." This certainly intentional deception has only one goal: to prevent a situation in which the Broadcasting Enterprise competes with MATAV, even though such competition would benefit Hungarian telecommunications immeasurably. From our standpoint, we recognize this legislative proposal as one that radiates the panicky fear of its framers and of MATAV from competition and of being assessed, despite any statement that proves the exact opposite.

[Budai] We understand that the legislative proposal has some other problems, too. For example, it has been submitted to the government as if a consensus had been reached. We are aware that MUOSZ [National Association of Hungarian Journalists] has been described as agreeing with the proposal, whereas they had some serious objections before they received the proposal. We heard the same thing about the Ministry of Industry.

[Dohan] I, too, have heard this, but I have no proof. But your comment touches upon a very important matter, the

issue of methodology. I have before me the telecommunications policy concept developed by the British Ministry of Industry and Commerce. It was published in book form prior to its adoption, it was introduced in parliament, permitting anyone to comment. Unfortunately, we are far from this high degree of democracy where the state, the authority takes public service this seriously.

[Budai] And finally, are you confident that there is going to be a law?

[Dohan] There certainly will be one, sooner or later, but time is a great master. Everyone could see recently how the MATAV-lobby was capable of crushing with frightening ease powers that appeared to be more perpetual than they do. I have faith that the sober mind is going to ultimately prevail. I can see that in each parliamentary faction there are representatives who deal seriously with this issue.

[Budai] But MATAV is also doing everything it can to protect the monopoly and to influence the representatives—this is a natural reaction, after all.

[Dohan] Based on what we have seen thus far, MATAV is choosing the simplest path. With the proven advertising technique of repetition it repeats and repeats statements to the effect that from "Singapore on to France," the state is financing telecommunications development everywhere. I wonder whether this is the reason why the French lag behind the United States by at least ten years. From other sources we always hear that telecommunications is a rather good business for the state, too. But then, why is it necessary to subsidize telecommunications from budgeted funds? They feel offended, if we answer this question by saying that the subsidized organization is unfit to perform the task. I go further. Here is another quote from a statement: "MATAV is a reliable long-term partner for cooperating firms, and has a secure financial base." I few lines before in the same statement one could read that 60 percent of MATAV's investments are financed from loans guaranteed by the state. In other words, you, I and the rest of the citizens in this country guarantee that MATAV preserves its financial security, regardless of what it costs.

In this framework, consistent with the legislative proposal, the concession system also aims for the temporary operation of entrepreneurs, minus the vassals, so that after revoking the concessions as prescribed by law you would once again see the one-country, one-MATAV condition. This has been the expressed or unexpressed purpose of every legislative proposal thus far. Whereas the international record proves that competition enables efficient and rapid development. From the standpoint of the country, this need is greater than any other need, particularly if we consider a finding contained in the Clyne Report, published in Canada: "The wealthy countries of the 20th century were the ones which took advantage of the 19th century industrial revolution. The wealthy countries of the 21st centuries will be the ones which take best advantage of the information revolution of the 20th and the 21st centuries." There should be no trouble if representatives performed their work aware of this statement.

[Box, p 14]

A Little Legal History

The first Hungarian telecommunications law was written in 1888; important amendments were made in 1925 and 1936. The first legislation since 1964 was enacted in 1964, as law No. 2 taking effect on 1 July of that year. This law provides that postal and telecommunications activities are state functions, performed exclusively by the Hungarian Postal Service. At the same time the law stated that the opportunity to use the services must be ensured by the Postal Service for everyone, consistent with conditions established in rules and regulations.

A relatively important rewriting took place in 1983. As a result of this amendment the president of the Hungarian Postal Service was authorized to issue licenses to others to perform the postal and telecommunications functions under the authority of the Hungarian Postal Service, within a scope defined by the Council of Ministers. Accordingly, this was the first legitimate avenue to circumvent the postal monopoly, but this would also have required a liberal-minded Council of Ministers and an equally liberal president of the Postal Service. In any event, this path has greatly contributed to the fact that in early 1990 it was possible to establish radio-telephone companies.

At the same time, Law No. 53 of 1984 rendered this path narrower by stating that business organizations could also perform telecommunications activities provided that the companies were under at least 51-percent state majority ownership. This amendment is interesting if one considers the fact that by then a petition for permit had been filed by Hungaria Telecom Radio-Telephone, Ltd.—a private enterprise—with the ministry, and that a week before the change took effect, the Hungarian Postal Service signed a statement of intent with the U.S. West Company for the establishment of a radio-telephone company. Quite obviously, the amendment served the purpose of cutting out Hungaria Telecom as a competitor, because at that point in time, Hungaria Telecom did not have the newly prescribed state ownership share.

The government amended the law most recently on 27 November 1990. According to this amendment, the Ministry of Transportation and Communications was authorized to grant permits not only for the establishment and maintenance of operations to companies outside the postal service, but also for providing services. This change was needed, otherwise the Westel radio-telephone company could not have begun its service provisions on its partly completed network in Budapest.

After a year and a half long delay, the law concerning telecommunications must be submitted to parliament between the 20th and 31st of March, according to a schedule agreed upon early this year.

—B.J.

MNB Subsidiary Managed GDR Stasi Account

92CH0502A Budapest HETI VILAGGAZDASAG
in Hungarian 4 Apr 92 p 15

[Unattributed article: "Stasi Assets in Hungarian Bank"]

[Text] The amount of assets acquired by the GDR's state security organ (Stasi) from its financial and foreign trade enterprises—stashed away in Austrian bank accounts—may be expressed in terms of billions, according to lawyers searching on behalf of the German State for the remaining, hidden money. The search is based on a German-Austrian legal aid service agreement. What once belonged to the GDR today is the property of the German Federal Republic. Accordingly, whoever conceals money belonging to Stasi enterprises is guilty of fraudulent misuse of funds from the standpoint of the FRG. Investigations of an ever-increasing scope are being conducted on this basis in Austria, too.

According to reports published by the Vienna newspaper PROFIL, a number of firms called "Exportcontact" registered in the name of security officer and attorney Gunther Forger were important parts of the Stasi empire. These firms operated in Zurich, Vaduz, and Budapest, as well as in Vienna. Exportcontact enterprises also traded with goods and weapons that appeared on the COCOM list. Forger took action to liquidate these enterprises after the collapse of the GDR. Of the 4.8 million schillings derived from selling the Vienna office, he deposited 3 million schillings in his own account in Vienna and gave 1 million schillings to a certain Rudolfine Steindling. This lady held a 25-percent interest in the Vienna Exportcontact firm, and she apparently played a key role in cooperation between the GDR and the Austrian Communist Party (KPO).

As requested by Bonn, the Austrian economic police went after these 4.8 schillings, and thus reached the Central Wechsel-und Creditbank AG (CWCBA), a bank owned by the Hungarian National Bank operating under Austrian law and registered in Vienna. Instead of finding 4.8 million schillings they only found 120 million schillings, or, better said: the place where 120 million schillings had once been deposited. A lawyer, also recognized as a high-ranking Stasi agent, withdrew the money, placed the same into a safe deposit box, then moved to an unknown location together with the key to the safe.

The Austrian economic police searched the offices of Rudolfine Steindling and found in a vault 48 savings bank accounts subject to withdrawal on sight, in addition to a countless number of KPO property management invoices. Most savings accounts were managed by the CWCBA, and the money in these accounts amounted to half a billion schillings. The lawyer representing the FRG is demanding the half a billion schillings on behalf of his "client," while Steindling's attorney declared that this money did not belong to the FRG, but to the KPO.

The facts of these events and the amounts of money publicized by newspapers have not been confirmed by CWCBA President Imre Makai in response to a HETI VILAGGAZDASAG inquiry.

Method of Settling Trade Debt to GDR Argued

92CH0504A Budapest HETI VILAGGAZDASAG
in Hungarian 4 Apr 92 pp 99-100

[Article by Bela Weyer: "Hungarian-German Debt Dispute; GDR Milkshake"]

[Text] The GDR is still present in the Hungarian economy a year and a half after the political reunification of the two German states, and almost two years after the establishment of a monetary union that laid the foundations for economic unity. The case of Hungarian indebtedness amounting to about half a billion transferable rubles accumulated in the final months of the "socialist German state" is not closed to this date.

Whatever we think of them, at the head of the former VEB's [expansion unknown] of the German Democratic Republic, i.e., the plants owned by the people, there were some managers with a real market sense, who, like real businessmen, instinctively recognized opportunities that presented themselves in the final moments before German unification. East German enterprises, from whom it has been difficult to obtain goods covered by two-year bilateral agreements in the past, suddenly realized that they would indeed like to deliver goods to Hungary.

Accordingly, the tables have turned in the final days of the GDR: While previous trade between the two socialist countries has consistently been characterized by a Hungarian surplus, 1990 became the year of a turnaround. At the beginning of the year there appeared a 50-million-transferable-ruble surplus on the Hungarian side, but by the end of the year and the end of the GDR, the surplus turned into a 500-million-ruble deficit. The formula is rather simple: Following their earlier reluctance, GDR firms suddenly swamped their Hungarian partners with goods, while showing reluctance to accept the delivery of Hungarian goods. "There is no need," they excused themselves.

This mechanism was based on two pillars. On the one hand, with the promise of a monetary union—not to mention the time when the monetary union became a reality—it has not even occurred to GDR consumers to purchase "eastern merchandise," and they thus avoided with a deep sense of contempt both their domestic products and imported Hungarian products. On the other hand, large East German enterprises were well aware of the prospect of turning every surplus transferable ruble the "German workers-peasant state" was able to collect into hard Western marks.

The end result presented itself in the Hungarian marketplace: There were so many Trabant cars that Merkur had to sell them at half price, GDR cosmetic items and detergents were "thrown" after customers for pennies in household goods stores, and GDR milkshake machines became available both with and without doors. Thereafter—and still today—the final balance expressed in terms of money appeared like this: A Hungarian indebtedness amounting to more than 500 million transferable rubles would have to be paid to the "unified German" shippers in

the form of 1.3 billion German marks [DM]. This figure has been calculated on the basis of applying the internal German multiplier of 2.34.

Little has been said about this case ever since—in public, at least—and reports dating back to Kohl's visit to Budapest last February confined themselves to words like "the problem has been discussed," and that both sides felt that "resolving this problem was important." One can only guess the extent to which the chancellor's visit produced a favorable opportunity for final settlement; nevertheless, the fact is that no tangible results have been achieved ever since. So much so that German Economics Minister Jorgen Moller declared the other day to NEPSZABADSAG that although continuous and discreet negotiations were being conducted, "the time for publicly discussing the expected method and time of settlement has not yet arrived."

Compared to this, it came as a surprise that three days later Bela Kadar, Hungarian minister of international economic relations, told the HANDELSBLATT of Dusseldorf that although Hungary did not question the appropriateness of the claim, the 1 ruble to 2.34 marks exchange rate appeared as illusory, and that the solution would be for the German party to accept ownership shares in Hungarian joint enterprises instead of money. In the Hungarian view, this would also help Germany reconquer its first place on the list of foreign investors in Hungary, where they have been outranked by the Americans and the Austrians. The series of reports continued with a statement by Janos Hamori, Bela Kadar's secretary, to MTI-Econonews in which he claimed that even if the German Government refused to support the Hungarian proposal, this would not influence existing relations with "our most important trading partner."

The fact that immediately after the establishment of the monetary union, but before the German reunification, Hungary has announced that it would file damage claims among other matters for cancelled orders amounting to DM500 billion—subsequently expressed in terms of several billion marks—is part of a story that is bound to continue for a while and that may hold one or two additional turns of the milkshake machine. German counterarguments make reference to GDR firms that showed temporary results also having suffered losses in the form of a discontinued Hungarian market. While last year the combined value of mutual deliveries between the two countries approached the previously inconceivable, dreamed-about level of DM10 billion, within that amount Hungary was able to increase its exports to the FRG by one-third, and was able to close the year with a surplus, thus exceeding the previous record in the history of bilateral economic relations.

One can only guess about the chances of settling this undoubtedly complex and sensitive case. HETI VILAGGAZDASAG was told by the German Embassy in Budapest that they continued to observe the agreement on the discrete handling of this matter.

Industrial Performance Shows Continued Recession

92CH0491A Budapest FIGYELO in Hungarian
26 Mar 92 pp 1, 12

[Article by Marton Peto, Central Statistical Office division chief: "Volume of Orders: All Is Quiet at the Market-place"]

[Text] Recession is going to continue within industry and the construction industry in 1992, the senior Central Statistical Office [KSH] counselor says, based on the volume of orders at the beginning of the year. In industry, the need to import is gaining strength along with a decline in orders. The position enjoyed by smaller organizations is somewhat more favorable than the situation experienced by average-sized organizations. In the construction industry the high-rise construction industry is becoming increasingly concerned. The inflationary pressure is weakening both in industry and in the construction industry.

The volume of unfilled orders on hand at industrial organizations with more than 300 employees amounts to about 40 percent less than a year earlier. The decline is larger than the average decline at machine industry and construction materials industry firms, as well as in the domestic market. As compared to last year, the much smaller volume of domestic orders may also be attributed to factors other than the shrinking market, (e.g., to organizational transformation, unstable financial situations, etc.) The volume of orders on hand could have significantly changed (particularly at small organizations) since the assessment was made, and this is likely to be the case because in industry, along with a 45-percent smaller first quarter volume of export orders, the volume of exports has declined only by 3 percent in January. At the beginning of the year the volume of machine industry export orders amounted to one-third of the previous year's volume; in the rest of the industry branches it amounted to between two-thirds and three-fourths of the previous year's volume. Partly due to a larger decline in domestic orders, the ratio of exports as compared to all delivery obligations by enterprises with more than 300 employees is on a continuous increase.

A strengthening export orientation is indicated by the fact that (at firms having more than 50 employees) three-fourths of the new orders, i.e., orders placed within the past three months, call for export. For example, it is characteristic that in the construction materials industry 18 percent, and in the machine and light industries 13-14 percent, of the first-quarter export delivery obligations resulted from new orders. A search for new opportunities is gaining strength even while the domestic market is shrinking. For example, by no coincidence, the ratio of new orders is substantial at machine and construction materials industry entrepreneurs—the fields that experience the greatest difficulties. At the same time, as a result of strengthening import competition and, in part, due to a decline in demand, the ratio of new contracts for communications equipment, fine ceramics, household and cosmetic chemicals, furniture, shoes, and textile clothing products is lower. Declining consumption is reflected in a

shortage of orders in the food industry, while the drastic decline in the use of agricultural fertilizers and pesticides is shown by a shortage of orders at the respective manufacturing firms.

The data indicates that the deterioration in the volume of open orders is going to deteriorate to a lesser extent in the second quarter than in the first quarter, and this may cause a small improvement in the market, especially insofar as exports are concerned. For example, at large machine industry firms 56 percent of the total volume of open orders at the start of the year was delivered in the second through fourth quarters; the same ratio is 61 percent (66 percent of exports) in 1992.

The start of the year market position also varies according to the size of organizations. In 1992 it was possible to examine the volume of orders in machine industry and light industry firms based on their personnel size. In the machine industry, firms employing between 50 and 300 persons received about two-fifths of all orders; at the same time, however, these firms received one-half of all orders, (and committed themselves to almost three-fifths of all new export delivery obligations). A large part of the exports, and within that three-fourths of new export orders within this group, are concentrated in the first quarter. Aside from peculiar market characteristics, the enforcement of short-term interests and, not to the least, financial problems also play a role in this regard. The export market of larger firms with more than 300 employees is more favorable during the second through fourth quarters than in the initial months. In the light industry small businesses obtained one-fourth of the domestic orders and incurred more than one-third of the export obligations.

Ratio of New Orders at the Start of 1992; Domestic Versus Export Sales

Branch	Ratio of New Orders (percentages)			
	Domestic Sales		Export Sales	
	First Quarter Delivery	Delivery After the First Quarter	First Quarter Delivery	Delivery After the First Quarter
Foundry Industry	5.7	9.6	6.1	5.2
Machine Industry	9.3	4.1	13.4	4.5
Construction Materials Industry	12.3	8.1	18.4	43.2
Chemical Industry	2.7	0.0	6.9	0.1
Light Industry	5.6	2.9	14.1	12.6

Data pertaining to the volume of orders indicate an increasing difference between the various branches of industry. The situation of specialized branches which have already reached the "crisis" stage earlier (e.g. the mining, foundry, and construction industry; certain specialized

branches of the machine industry; fertilizer and pesticide manufacturing, etc.) is deteriorating further. Along with declining domestic demand, the position of firms falling behind in import competition, and unable, or just barely able, to expand their exports (e.g., communications equipment; fine ceramics; industrial, household, and cosmetics chemicals; furniture; textile; and shoe industry enterprises) is becoming increasingly grave.

Opinion polls too (e.g., KOPINT-DATORG) predict a further shrinkage of the domestic market in 1992 (mainly in the machine and construction materials industries as well as in the light industry) and a reduced growth rate with respect to selling prices (ranging from 4-8 percent). These polls regard export prospects—mainly in the eastern markets—as more favorable than before. Many enterprises in the light industry and the food industry predict improvements, while deterioration is expected in the foundry industry. Considering the way they see their own situations, more than one-fourth of the firms expects improvements in 1992, and another one-fourth predicts no change. (Only one-eighth the number of firms expects improvement during the first half of the year.) The number of those anticipating further deterioration is significant (about 10 percent of these firms do not rule out bankruptcy proceedings against their firms). The situation is worse than average in the foundry and construction materials industries and in certain fields of the machine and light industries.

The situation of the construction industry is going to further deteriorate this year. Building firms (with more than 50 employees) had fewer contracts for 1992 and the following years than a year before. The difference is between 9 and 10 percent in current prices (and 25-30 percent based on volume estimates). The position of the high-rise construction industry representing more than half of the construction industry branch is significantly worse, while the general and assembly industries come close to last year's levels even at current prices. Obligations to be performed in 1992 by the underground structural construction industry suddenly increased (by more than 80 percent at current prices); one-fourth of the year-end orders in 1990, and more than one-third of the year-end orders in 1991 established foundations for the performance in the subsequent period. The situation of the high rise industry and of the general and assembly industries has deteriorated proportionately.

The deteriorating market position of the construction industry can also be seen from the fact that the ratio of multiyear (old) large volume projects is moderating within existing contracts for 1992 and subsequent years, mainly because of reductions in large investments. The softening of demand and domestic market loss stimulates these enterprises to expand their export activity which is small compared to all activities, at the same time more flexible adaptation is on the increase, but so is living from one day to the next, and the sit-and-wait attitude.

Demand for construction-assembly maintenance work has declined greater than the average by about 20 percent; its ratio dropped from 15 percent to 13 percent. The value of contracts related to investment projects (at current prices) amounted to almost 90 percent more in the underground structural construction industry, and to 17 percent more in the general and assembly industries than a year earlier. (Due to reduced investments, housing construction, and so forth) the situation of the high-rise construction industry is significantly worse than the average also in this respect. The decline in demand for construction as well as price discounts relative to construction materials (e.g., brick, tile, lumber, etc.) and other benefits (e.g., in transportation) prompt construction industry firms to reduce their price levels and to temporarily make price concessions.

Ratio of Export per Branch as Part of the Start of the Year Volume of Open Orders

Branch	Ratio of Exports as Part of All Orders (percentage)		
	1990	1991	1992
Foundry Industry	29	39	48 ^a
Machine Industry	50	52	58
Construction Materials Industry	13	19	38 ^a
Chemical Industry	27	17	23 ^a
Light Industry	36	41	38

^a In firms with more than 50 employees.

Year-End Situation of the Value and Ratio of Construction and Assembly Project in the Years After Consummating Contracts, at the End of the Year

Designation	Construction and Assembly Contracts in Force After the Contracting Year		
	31 Dec 1991 as a percentage of 31 Dec 1990 (in current prices)	Percentage of all Construction and Assembly Contracts	
		31 Dec 1990	31 Dec 1991
Total building industry	90.7	29.1	27.5
Of this:			
High-Rise Construction Industry	65.5	31.2	25.3
Underground Structural Construction Industry	181.5	25.5	36.2
General Construction and Assembly Industry	96.3	24.1	19.8

New Bank To Support Investment, Development

92CH0506C Budapest TOZSDE KURIR in Hungarian
26 Mar 92 p 15

[Interview with Miklos Banyai, Hungarian Investment and Development Corporation president, by Majer; place and date not given: "Reconstruction Bank on the Horizon"—first paragraph is TOZSDE KURIR introduction]

[Text] A reorganization bank to contribute to the establishment of potentially successful enterprises, and to finance—by using in part preferential loans—industrial infrastructural and reconstruction projects is one of several things missing from the Hungarian financial system. A financial institution of this kind may come about as a result of transforming the Hungarian Investment and Development Corporation [MBF] into a bank—hopefully this year. We asked the president of the corporation about the details.

[Majer] The MFB Corporation was established last November with a basic capital of 4.6 billion forints and with 6.8 billion forints contributed from its own resources. Only 30 percent of the basic capital is in the form of cash; the rest consists of stock, business shares, bonds, and real estate. The AFI [State Development Institute] (57.6 percent), the AVU [State Property Agency] (42.2 percent), and the Games of Chance Corporation (0.2 percent) are the founders of the firm. Considering all the above, how is this corporation going to become a bank, moreover, within a relatively short period of time?

[Banyai] I would like to point out first of all that the establishment of the corporation has been delayed as compared to the proposed schedule, because a variety of real obstacles have presented themselves. We could have lost more than what was there to be gained, had we delayed the establishment of the corporation further in the expectation of more favorable starting terms. In other words, we had to make certain compromises (I have in mind the low cash ratio and the composition of the portfolio) so as not to delay further the establishment of the firm, mainly in order to begin realizing the established goals, and to lay the groundwork for a financial institution capable of acting as a partner to international financial organizations.

[Majer] The Hungarian law governing financial institutions requires that at least 50 percent of the basic capital be in the form of cash before the MBF becomes an investment bank. How will you accomplish this?

[Banyai] Since the activities of the future bank will be largely tied to the realization of economic policy goals, we are counting on the indirect support of the state in producing the funds we still do not have. This means that some of this year's privatization revenues (about 3 billion forints), and revenues derived from a few liquidation proceedings (about 2 billion forints) would be transferred to us, as promised in advance. When that happens, we will have between 5 and 6 billion forints in surplus capital within six months. Accordingly, we could begin operating as a bank with a basic capital of about 12 billion forints. But our strategic goal in the medium-term calls for basic capital amounting to between 30 billion and 40 billion

forints, based on which we could say that we would become one of the most strongly capitalized financial institutions in Hungary. We need this kind of capital if we want to play the role of the "engine" of the economy. Many things must be accomplished before then, of course. From this standpoint the upcoming year is going to be of key importance: investments made under the founders agreement on syndication will mature next year, as a result of this our assets will significantly increase, and at that point we plan to attract foreign capital and resources. We also considered issuing bonds in Hungary and/or abroad.

[Majer] A special structure of resources is required for the bank to perform its special functions, i.e., the lending of funds for more than a year at interest rates lower than market interest rates. What, specifically, did you have in mind in this regard?

[Banyai] We are counting to a lesser extent on Hungarian businesses depositing forints, because we would have to compete with commercial banks in terms of conditions offered for deposits committed for more than one year. But we are counting even more so on resources flowing from bilateral government relations and on credits to be received from international financial organizations. Insofar as our bank becomes stabilized and is recognized in international financial circles, we, too, would like to obtain World Bank, IFC [International Financial Corporation], and EBRD [European Bank for Reconstruction and Development] funds, in addition to resources from the MNB [Hungarian National Bank].

[Majer] What segments of the economy have you targeted for financing?

[Banyai] We established three categories of potential clients. The first group includes enterprises usually referred to as the leading economic branches. (We will invest here between 15 percent and 20 percent of our resources.) These include, for example, manufacturers of public road vehicles, the construction industry, telecommunications, and other infrastructural enterprises with a relatively quick return on capital. Under no circumstance would we want to be left out from financing this sector, partly because we want to enforce economic policy considerations, and partly because of profitability considerations. From the standpoint of financing these projects we are counting mostly on our relations with the EBRD. At the same time, we are also planning to finance certain branches—and this is the other extreme—which present difficulties purely from the standpoint of profitability. These include environmental protection, education, health care, etc. (Here, too, we intend to invest between 15 percent and 20 percent of our resources.) Cooperation with the EBRD—among others—is conceivable also in this regard. And finally, we regard enterprises that typically function in the competitive field as our third category. We will approach these strictly on the basis of business considerations. We intend to commit the largest part of our resources to this group; this will guarantee the profitability of the bank as a whole.

Business, Privatization Loans Restructured

92CH0506A Budapest TOZSDE KURIR in Hungarian
26 Mar 92 p 5

[Interview with Karoly Lovasz, Hungarian National Bank deputy division chief, by Bognar; place and date not given: "One Plus One Is One: Combined Privatization Loan"—first paragraph is TOZSDE KURIR introduction]

[Text] The government is in the process of discussing a new privatization loan structure. We inquired from Hungarian National Bank [MNB] Deputy Division Chief Karoly Lovasz about points they have already agreed upon.

[Bognar] To begin with, let us clarify whether the E-Loan system is being expanded by adding to it certain elements of the MNB loan structure, or is the reverse happening?

[Lovasz] We are broadening the conditions under which the E-Loan system operates because that program is better known than the MNB program. The final goal is to create a single loan out of the two loans. In doing so, we will take into consideration the experience the banks and the entrepreneurs have gained. The primary function of privatization loans is to increase domestic purchasing power. To accomplish this, we need a loan structure with relatively favorable terms insofar as the borrower's own contribution and interest rates are concerned. We applied the rather reasonable terms of the E-Loan from the standpoint of the borrower's own resources. The MNB is going to pass on to financial institutions the amounts to be refinanced by charging 60 percent of the prevailing central bank basic interest rate; i.e. at 13.2 percent rather than 16.5 percent. The banks can add to this a four percent margin, thus, in the end, entrepreneurs will be able to obtain privatization loans at a 17.2 percent interest rate. Experts felt that if MNB's basic interest rates dropped in the future, the margin added by the banks should also be lowered.

[Bognar] How did the banks react to tightening the marginal interest rate?

[Lovasz] The banks and the Banking Association also compared the various proposals. They also took part in developing procedural rules related to the decree, detailing what each party must do. They agreed with what we had to say regarding reduced interest rates, and in the final analysis with the possible reduction of their own profit margin.

[Bognar] Let us return to the changes.

[Lovasz] Eligibility criteria for obtaining such loans have also been relaxed. While E-Loans were available only to

private persons qualifying as Hungarians under foreign exchange rules, the MNB loans were also available to corporations of such private individuals. Under the new rules cooperatives also become eligible to receive loans, in addition to the presently eligible private persons and their corporations. Moreover, we recommended that organizations participating in the Employee Stockholder Program also become eligible to share these blessings. Experts underscored the significance of the latter provision.

Existing rules do not permit the use of E-Loan funds for the purchase stock, because E-Loans are linked to privatization and no stock is being sold in the course of such actions. Under the new concept it will be possible to use borrowed funds in the course of all privatization performed by the AVU [State Property Agency].

The Stock Exchange Council has expressed its support in this regard. Based on the banking law, however, financial institutions are allowed to grant loans covering a maximum of 50 percent of the amount used for stock purchase, in other words, the borrower must contribute a rather substantial amount from his own resources. We are in the process of examining whether there is a way to relax this requirement, for example, by reducing this margin to 25 percent. We recommended the abolition of the 50-million-forint maximum limit per each individual borrower on E-Loans. Incidentally, this 50-million-forint limit included not only the [principal] loan amounts but also the [financing costs] of these low interest loans available under both programs. These preferred terms were available to local governments, if the property to be sold was partly owned by the local government. Accordingly, the combined total of the borrowed amount and the financing charges could not exceed the 50-million-forint limit; this limit has now been abolished.

[Bognar] How did you treat the usually sensitive issue of guarantees?

[Lovasz] The AVU has already established a guarantee fund that may be used in the course of selling leasing rights. A central guarantee fund to cover all other entrepreneurial and privatization credits is now being established.

[Bognar] And what resources are you going to use to support this fund?

[Lovasz] Discussions are still at the conceptual level, and I am unable to give you exact figures. The guarantee fund will certainly include the resources of banks, local governments and the central government. The fund will operate at two levels; in addition to an office in Budapest there also will be regional offices, to be operated by the Hungarian Entrepreneurial Development Fund.

KLD Congress on Program, Leadership Changes

92EP0334B Warsaw PRZEGLAD TYGODNIOWY
in Polish No 13, 29 Mar 92 pp 1, 8

[Article by Tomasz Markiewicz: "Will the Liberal Democratic Congress Wait It Out? For the New Team Manifesting Liberal Views Is a Sin Preventing an Official Career"]

[Text] There would probably not be so much talk about the liberals if it were not for Lech Walesa. He repaid the Gdansk liberals for their help and involvement in his presidential campaign by designating Jan Krzysztof Bielecki prime minister instead of Jan Olszewski, who was proposed by the Center Accord [PC]. Their dislike for the liberals probably dates from that time. Thus, the president created a historical precedent by giving the opportunity to govern to the Polish liberals for the first time, and saying "you have your five minutes." Thanks to that, the small group of supporters who in 1983 published the paper PRZEGLAD POLITYCZNY in the underground and cultivated dreams of moving from socialism to capitalism, became an important party with 3,500 members.

The liberals, when they had their prime minister and several ministers, believed in their strength and in March 1991 separated from the PC and decided on a separate election campaign. The unflagging sympathy of the president for Prime Minister Bielecki, also from Gdansk, must have irritated the members of the chancellor from the PC, especially Jaroslaw Kaczynski, who were losing Walesa's support. But the liberals did not return the sympathy blindly and uncritically. "Our attitude toward Walesa has nothing in common with the loving devotion of a woman for a man," wrote Lech Mazewski in PRZEGLAD POLITYCZNY in July 1991, "rather our support is limited by the program postulates. We support a strong presidency within a clearly delineated field of political rights, a presidency facilitating Poland's shift to democratic capitalism."

The slogan of democratic capitalism and a modern Poland in the European fashion drew the Congress supporters primarily among the intellectuals in large cities and in groups of emerging domestic businessmen. The Congress gathered to itself among others, the frustrated activists of the Independent Association of Students [NZS], for whom it opened paths to political careers when their traditional opponents disappeared. The PZPR [Polish United Workers Party] dissolved itself; the new authorities do not torment the students. Governing made the liberals famous both in and out of Poland. That drew people, but it also created enemies, and caused envy.

Bielecki had a good press in the West; he did not throw words or promises without backing around; he was not afraid to make difficult decisions. He knew economics and that pleased the West. Meanwhile, in Poland he had a steadily worsening press. The heat of the election campaign slowly started attacks from the left and the right on the policy of the government. Still, the liberals were successful and got 37 deputies and six senators into the parliament. The prime minister himself as a candidate in

Warsaw received the most votes, 115,000, in Poland. This success did not do much good. The hunt after the liberals began to take on force. Especially when they left the coalition that nominated Jan Olszewski to be prime minister as a result of disputes over economic policy.

Cleansing the Chairs

Right after the new prime minister took over the government, besides accusations against his predecessors that they had led the country into an economic abyss, preparations were made to cleanse the state administration of those troublesome to the new coalition. They included not only the KLD [Liberal Democratic Congress] but also the Democratic Union. For the new team manifesting liberal views is a sin preventing an official career. In the Ministry of Ownership Transformation, which the Gdansk liberal Janusz Lewandowski directed, even those who were not liberals, but had only once or twice played soccer with the wrong people, received pink slips.

Jacek Kozlowski, the director of the Government Press Office had to leave; at the Television Information Agency, Ryszard Grabowski had to submit his resignation. Anna Popowicz, who was labeled a liberal although she is not one, also did not survive the Bielecki cabinet. Individuals from the Ministry of Finance, lead by the infamous Leszek Balcerowicz, who unknown to many does not belong to the Congress, also did not survive. The atmosphere in the local areas also became more tense.

"Prime Minister Olszewski's first personnel change was to restore Jasinski, the Wroclaw voivode whom Bielecki had removed," says Andrzej Halicki. "Jasinski, in turn, took care to remove Grzegorz Schetyna, the deputy voivode and a member of the presidium of the Congress and an activist of the Independent Association of Students."

Andrzej Czapski, another member of the KLD, ceased being voivode of Biala Podlaska when he became a senator in accord with an election promise. Slawomir Smigiel, the Wloclawek voivode, was removed. In the higher state administration everyone was removed. The last one removed was Lech Mazewski, the prime minister's adviser on regionalization.

"At the beginning of January, I was bid farewell from the Office of the Council of Ministers," says Lech Mazewski, "and some three weeks later, I was offered a return through the side door. The Congress did not accept the proposal. It cannot be that what I had done was called the partition of Poland and then today it turns out that it is acceptable and without any explanation."

Pragmatists and Conservatives

The atmosphere of political loss and harassment of the liberals does not contribute to the members of the party feeling good about themselves. Having lost power, it lost some of its attractiveness. In February at the Third Conference of the Congress, the leaders consciously provoked a fight for the leadership in order to arouse discussion about the party's identity. Two positions appeared—a

pragmatic one, calling for the formation of a strictly liberal party, and a conservative one. Lech Mazewski represented the latter position.

"It would be an exaggeration to speak of the existence in the Congress of distinct divisions and fractions. The removal from one party document of the phrase about Christian values, which appears in the ideological declaration, has caused confusion," explains Mazewski. "There is, however, in the KLD something that I would call liberal naivete, a strongly articulated anticlericalism, a simple pro-Europeanism. We face the dilemma whether simply to copy the West or to remain in a nationalist Catholic backwater, or to seek another way out. I faced this choice. I wanted us to seek a place for liberalism in Poland as it is today and as it will probably be."

In Mazewski's opinion, the Congress should become a typical modern party of the right, liberal only in the economic sphere.

"The KLD has a chance to be the party that organizes the center-right around itself," he says. "It cannot happen quickly and it will take time. A large party will not be formed by agreement among leaders, but by cooperation in parliament and by similar programs."

Mazewski's position is opposed by both Janusz Lewandowski and Donald Tusk, who won the party chairmanship with two-thirds of the vote to his opponent's, Mazewski's, one third. In response to the conservatives, Lewandowski wrote to RZECZPOSPOLITA prior to the conference: "It is a peculiar feature of Polish political life, which is for some reasons understandable, to put on the costume of the Christian Democrats, to declare Christian values, and to flirt with the church. That tendency has also stolen into the ranks of the KLD and consists in an attempt to make the liberals into so-called Christian conservatives. I claim that it is artificial, theoretical, and completely incomprehensible for the majority of members and supporters of the KLD, who are quite comfortable in their liberal skins."

During the conference, such voices of reason closed the discussion on the future of the party as the next candidate after the PC and the ZChN [Christian National Union] for the role of integrator of the Polish center-right. The idea forced through by Donald Tusk of forming the Congress as a party of liberals not only in relationship to the economy but also to freedom and citizens' rights predominated.

The opponents of the KLD have quickly taken advantage of the improvident accident of the removal of the Christian values. The activists of the ZChN have taken the lead in this area and have inflexibly opposed the liberals' participation in the government, especially during the recent moves to expand it. Deputy Stefan Niesiolowski of the ZChN told journalists that "the statement that the KLD supports a state that is neutral as regards world view is lamentable. For me that means that just as the communists under the slogan of the separation of the church from the state fought the church using the administrative apparatus, so the promotion of a state neutral as regards world view will mean attacks on the church in the mass media

and pushing the church to the margins of social life. I am surprised that Tadeusz Mazowiecki whom I know as a very intense Catholic can work with such a group." It turns out, however, that not only Tadeusz Mazowiecki can, but also Tadeusz Gocłowski, bishop ordinary of the Gdansk Diocese, who is one of the sponsors of the Gdansk Institute for Study of the Market Economy founded by Janusz Lewandowski and Jan Szomburg, can.

The liberals, although for the time being they only have a place in parliament, could soon return to the wider political arena. Obviously, not alone but in a coalition. Their strength and capital for the future is the awareness of the need for economic changes toward a market economy and an easily defined ideological profile, which only the ZChN, the SLD [Alliance of the Democratic Left], and SP [Labor Solidarity] have on the Polish political stage. Attacking liberalism is slowly proving to be a losing proposition for the current government which, on the one hand, is forced to continue the policy of its predecessors and must strengthen itself with liberally thinking specialists and, on the other hand, must struggle with the demon of communist and populist awareness they themselves aroused. Attacking the liberals can also unintentionally give them more supporters than enemies.

"What is happening now is the fear of the weakness of democracy," thinks Andrzej Halicki. "The Olszewski government already has more inflation to its credit than anticipated, an increase in fuel prices, a failed effort to devalue the zloty, which given the still artificial market, has not promoted exports as planned. Prices will rise. People are slowly realizing that how they vote in elections does affect their daily life and how much money they have and how much you have to pay for personal games in the power elites and what promises without backing mean."

National Democratic Party Program Presented

92EP03344 Warsaw SPOTKANIA in Polish
No 9, 27 Feb 92, pp 18-19

[Interview with Tomasz Wituch, member of the Political Council and chief of the Program Commission of the National Democratic Party, by Jaroslaw Hebel; place and date not given: "A National Note"]

[Text] [Hebel] Why is the nationalist movement so divided in Poland at present?

[Wituch] One must remember that already in 1926 the nationalist movement was in a difficult political situation. It was in a defensive position, and it was even "pinned to the wall" by the *Sanacja*. The war and the postwar period came. The nationalist movement was brutally crushed by the Germans and the communists.

The divisions that exist at present are historical divisions. Personal animosities also enter into the game. They play a great role in every political movement. If a group has healthy foundations, then the personal conflicts recede into the background. We as yet have no such foundations; as yet, we have not developed as a political movement.

[Hebel] Then you agree with the statement that at present the typically nationalist parties play a marginal role.

[Wituch] Yes.

[Hebel] Has the nationalism and anti-Semitism of these groups frightened away Poles?

[Wituch] I consider it a misunderstanding to identify the nationalist movement of the democratic nationalists with anti-Semitism.

In my opinion, all questions of national or religious minorities in the current or future Poland are and will remain marginal issues. As the issues of the state are put in order, they will find their appropriate place, and they will not be a destabilizing factor.

Naturally, you are right that there are in Poland groups, which say they are the inheritors of the national democrats that draw on the worst period of this movement, the 1930's.

I think that if one is to return to tradition, one must reach back to the first epoch of the national movement. Then it was primarily a democratic populist movement that rejected emotions in politics and called for a sober judgment of the forces and of the resources. These roots of the nationalist movement will be the most promising.

[Hebel] To what degree does the party draw upon the ideological thought of Roman Dmowski?

[Wituch] From Dmowski's thought, we take the conviction that the interest of the nation as a whole is an objectively existing fact. The leftist groups want to ignore that fact. The second thing which we take from the heritage of Dmowski is political realism.

The National Democratic Party [SND] is the only one with the support of the emigre National Party. The various "inspired" politicians bother us a great deal. They compromise our movement rather than help it.

[Hebel] At present, the majority of the nationalist parties rejects both socialism and capitalism. The majority of them are promoting the so-called nationalist order. Are you not afraid that is nothing other than fascism?

[Wituch] No. I do not share these phobias. I think that we should take what is best from capitalism, the entire market mechanism and all the demands of free competition. It is a machine that drives progress. We should be respectful of private property, which is the guarantee of material freedom of the individual in society, and this respect should be taken from capitalism.

I also think that one can sift positive elements from the heritage of the Polish People's Republic.

[Hebel] Could you be more specific about what we should take from the Polish People's Republic?

[Wituch] For example, the extensive sphere of social benefits. I think that the state support of art and science was a great achievement of the past period. We do not need to add to the list since it is the most intensely discussed

thing in the country today. We should not aim at capitalism from the 19th century. The Western countries have already gone through that lesson and have long ago outgrown that model. We must draw on their experience; we must look at the Scandinavian countries, at the social systems in Germany or in France. Those are models which in many respects differ little from the norms adopted in the People's Republic of Poland. One cannot deny this and throw it out on the trash heap. Positive things from the past 45 years are also the Piast boundaries of Poland which led to the homogeneous ethnic character of today's Poland; there is also the tremendous advance in rural areas.

[Hebel] From the ideological and political declarations of the National Democratic Party, one learns that the party desires to cause the formation in Poland of a "strong right as a factor in the political mobilization of the nation." What does that mean?

[Wituch] Primarily in the social and economic sphere. We understand the right as basing all planning of the national economy on two elements: untouchable laws of property and of national accounting. In the social sphere, we understand the right to mean emphasizing the tradition understood creatively.

Governments of the right in the economic sphere introduce, for example, objective accounting. The state will not subsidize unprofitable mines. If electrical energy costs more, the price will be increased.

That has nothing to do with the sphere of social care, understood as a duty of the state in regard to respected workers, retirees, or sick people. It is natural that every state must care for such categories of people. It must ensure them a certain stability.

[Hebel] How does the party understand the concept "Europe without boundaries"?

[Wituch] We support a "Europe of Fatherlands." The idea of a Europe without boundaries is a beautiful utopia. The most pragmatic politicians, the British politicians, are well aware of that. They are careful, although they are finishing the construction of the tunnel under the Straits of Dover. They are putting conditions of the process of uniting with Europe, which seems very sensible.

[Hebel] What should Poland's foreign policy be like? Does the National Democratic Party support the policy practiced by Minister Skubiszewski?

[Wituch] I think that the policy of Minister Skubiszewski is the appropriate policy. It is primarily a careful policy. That seems to me the characteristic most worthy of emphasis.

[Hebel] But Leszek Moczulski, for example, thinks that Poland's foreign policy should be oriented toward the countries between the Baltic and Black Seas.

[Wituch] I would not be able to choose like Mr. Moczulski. I think that we must take both the Russians, as a great power, and the Germans into account. Calculations assuming Poland's leadership in the area between the Baltic and the Black Sea are calculations that do not consider the will of the Lithuanians and Ukrainians. I do

not see them inclined to forming any block with Poland. Moreover, Poland is too weak for that.

[Hebel] In conjunction with the loss of the National Democratic Party in the parliamentary elections, will the party conduct extra-parliamentary actions, for example, in the style of the prewar Radical Nationalist Camp "Falanga"?

[Wituch] Our party will not conduct actions at the border of legality. We are too attached to legalism, and we think that is one of the characteristics of the mainstream of the nationalist movement. I am not speaking for other fractions of this movement.

UNIDO Credit Terms for Entrepreneurial Plans

92EP0343A Warsaw RYNKI ZAGRANICZNE in Polish No 39, 31 Mar 92 p 1

[Article by M.M.: "UNIDO's Support for the Enterprising"]

[Text] The UNIDO office in Warsaw, which is part of the world system of the United Nations Organization for Industrial Development, has for several years been assisting Polish enterprises wishing to establish economic cooperation with foreign partners. With such activity in mind, under the auspices of UNIDO, a special line of credit was established aimed at financing preinvestment studies for the preparation of industrial projects to be executed with foreign contractors.

The money for this purpose was allocated by the Ministry of Foreign Economic Cooperation. It comes from the Fund for the Development of Cooperation of Economic Organizations with Foreign Partners. The Export Development Bank services the fund.

Economic organizations representing all forms of ownership can apply for an annual, interest-free credit of up to 150 million zlotys for preinvestment studies.

The money obtained from the fund should be designated to cover part of the costs (it is estimated about 80 percent) of preparing an analysis or study preceding an investment. The object of financing can be analyses and reports to be used in launching ventures furthering the development of Polish export or improving the industrial infrastructure in Poland. Reference is to such ventures as will deliver Polish machines and equipment, technology or know-how, and capital investments in the industrial infrastructure in our country.

"It is no secret that our native enterprises have a great deal of difficulty in preparing good business plans and proving to the bank that the plan is self-defensible and its implementation guarantees success," says Krzysztof Węgrzewski, responsible at UNIDO for venture implementation. "We envisage that about 50 enterprises will take advantage of the credit. The amount designated for the above-mentioned purpose, as well as the number of plants to which it is to go, does not appear to be dizzying. But this is not a spectacular action. Those who are really involved in foreign trade and cooperation are supposed to receive this

money. We will work with these enterprises and assist them in designing their own studies which will precede a concrete investment."

The analysis or report to be financed will be prepared in accordance with the methods used by UNIDO for preinvestment reports. The application submitted by the Polish enterprise, which will be the basis for investigation of the advisability of awarding the money, should contain such data as: initial capital, amount of sales in the last three years, and amount of debt. It should also include information on the investment project, i.e., the anticipated period and size of investment and the source of financing. Also, data on the structure of sales of products and services and, obviously, the anticipated share of the Polish side in implementation of the project. It must also contain basic data on the foreign partner, and opinions from credible sources regarding his reputation. And in this case it is essential that data be submitted as to the anticipated coinvestor's plant capital and his ranking on the local market. Also, a cost estimate for performing the analysis or report and the range of topics and methods covered in these reports, together with a work schedule and list of specific goals.

After UNIDO approval, funds are released upon the signing of an agreement between the beneficiary (the Polish enterprise) and the UNIDO office. Based on this agreement and in accordance with its provisions, the Export Development Bank will settle all of the accounts connected with the granted credit.

Knowing the problems that Polish enterprises have in preparing professional analyses and investment projects which meet the requirements of foreign partners, the Warsaw UNIDO office has prepared a guide titled, "How to Obtain Foreign Credits in Poland—Principles and Procedures." It may be of assistance to those who are interested in making restructuring and export-oriented changes in their own production plant.

Effects of EC Treaty on Steel Trade Pondered

92EP0343B Warsaw RYNKI ZAGRANICZNE in Polish No 33, 17 Mar 92 p 3

[Article by Wanda Jelonekiewicz: "A Brighter Tomorrow for Polish Steel Trade"]

[Excerpts] [passage omitted]

Removal of Barriers

Until now, there have been two barriers in steel trade: duties and quantity restrictions. In 1992 two different types of changes were made. First, beginning on 1 January 1992, there are no quantity restrictions. On 1 January all unilateral obligations that Poland had previously signed expired and the independent quotas inside the Community pertaining to the Benelux countries, Italy, and Germany were also removed.

Our principles for trading steel in the past were defined in a trade agreement concluded by Poland and European Coal and Steel. This agreement provided for voluntary restrictions on export—explained Wiesław Jasinski.

director of the Commodity Sales and Customs Policy Regulations Department of the Ministry of Foreign Economic Cooperation. The agreement expired on 31 December 1991. Because it was not extended, this means that even had we not signed a Poland-EC agreement, legally after 1 January 1992, there would be no voluntary quantity restrictions on trade of metal products between Poland and EC countries.

Second, the Poland-EC agreement on economic trade and cooperation that went into effect on 1 March, as regards steel, removes domestic quotas and also contains a number of decisions pertaining to mutual reduction of duties. A gradual asymmetric reduction of rates on industrial products in trade between Poland and EC countries will bring about their total elimination. In Polish export to EC, this should happen by the end of 1997, and in EC export to Poland, by the end of 1998. In addition, duties on Polish iron and steel products sent to EC countries will be removed earlier—by 1996.

Obviously, setting this target date is reason for satisfaction because Poland's export of metals products to EC carries duties averaging four to six percent. But Europe is accusing us of selling too cheaply, rather than of selling too dearly, therefore this duty does not constitute any real obstacle in access to the West European market—Jasinski emphasizes. It reflects on the efficiency of export but does not basically affect its size.

Asked whether he does not fear increased competition between Polish producers on the Western market, director Jasinski explains that this fear pertains to more than just the trading of steel. This danger appeared practically from the time the monopoly on foreign trade was eliminated and various negative effects of this rivalry are already being seen. In Jasinski's opinion, this is the unavoidable cost of the economic reform now underway. But certain events constitute an extreme perversion of principles, hence the need for intervention from the outside. Naturally, these will not be actions of an administrative nature, since this would be a return to the old practices.

The Ministry of Foreign Economic Cooperation inspired steel exporters and producers to organize a Metallurgical Chamber of Industry and Commerce. This body, which has already been in existence for a few months, will function more and more efficiently as time goes on. The authorities have placed great hopes in the functioning of the chamber as a self-governing organ, independent of the administration. They expect that the activities of the chamber will help to limit "unhealthy" competition on foreign markets between Polish exporters, based on price reductions. [passage omitted]

Agreement With EC—Favorable for Poland

Although our export is now under the close scrutiny of the West European steelmakers, we are certainly not losing anything by our agreement with the EC—director Jasinski says—unless we believe that it would be better, as was formerly done, to lead Poland "by the hand" as part of an

agreement on voluntary export restrictions. Earlier, antidumping procedures simply were not put in place, however in thorny cases, Polish representatives were summoned for consultation.

If, on the other hand, we are betting on the independence and wisdom of Polish producers and exporters and if we give heed to the fact that the EC is accusing us of selling too cheaply, then we must come to the conclusion that some instrument which would cool the fervor of some exporters would be useful. We must remember that underpriced export not only throws the EC market into a state of confusion, it mainly removes national income from a poor country to rich countries.

Our producers and exporters have not yet fully understood the meaning of a market economy, in which one produces as cheaply as possible and sells as dearly as possible. They do not yet know how to produce cheaply, but they know how to sell cheaply.

But please do not regard this opinion as an overall assessment of our exporters—they say in the ministries.... It simply happens sometimes that the principles of good trade are perverted. To justify these practices we can only add that very often the producers, having a choice of selling for cash to Germany, for example, or waiting six months for payment in Poland, decided to send the goods abroad in order to get the money immediately.

What About Public Assistance for Polish Steel Mills?

The agreement allows, for a certain time, limited public assistance for the Polish steel industry. But given the state of the national budget, no large flow of money to iron and steelmaking can be expected. Drastic increases in energy prices and the absence of subsidies have made the situation in the metals industry very difficult. But we can count on loans stemming from the Poland-Europe Iron and Steel agreement. From the EC we can expect cheap credits, assistance in training and know-how, and support for restructuring, as part of the PHARE [Economic Restructuring Aid for Poland and Hungary] program. Poland's opportunity may lie in its ability to take advantage of the exceptional experience of EC gained in a thorough restructuring of the steel industry in recent years. Work in this field, begun last year, has been complicated by the fact that in Poland the economic system must be changed at the same time and the metals industry must be rebuilt, while the Common Market made complex changes in this branch under conditions of a stable market economy.

The agreement with EC pertains not only to export, but also import. With import things will be as heretofore: It is not required to obtain import permits. In any case, in export, too, this requirement was abolished.

In import, Polish industry is protected by a rather high customs duty (15 percent on most products). To this, sales tax must also be added, making this a high barrier.

Advice From the Canadians

Polish steel mills are obsolescent and unprofitable. Their production often duplicates itself, while some scarce assortments are not manufactured at all. In connection

with plans to rebuild this branch, a Canadian consortium composed of Hatch Associates, Ltd., Ernst and Young, and Steltech, is making a study to restructure the Polish iron and steel industry. The study will be ready at the end of April or in the middle of May. The report will describe the actual state of our metals industry and outline the changes which should be made, taking into account the needs of the shipbuilding, construction and machinery industries. It is already obvious that most of the steel produced in Poland is not correlated with the needs of the domestic market and export.

Naturally, the question arises as to how the Polish market will be protected against possible aggression from EC country markets. This seems paradoxical, but the most threatened would be the producers who do not exist. The fact is that there is a decided difference between the assortment and quality of our export and import. We chiefly import special high-quality steels, which our mills do not produce. On the other hand, we make ordinary steels in sufficient quantity, although sometimes there are not even enough of them for export. In the case of steel, therefore, we are dealing with a fortunate coincidence of events, because economic integration can proceed harmoniously and some of the goals outlined do not have to be achieved at the cost of others.

But for the long term we should expect that, as a result of restructuring, Polish mills, too, will begin to produce more steel which will compete with imported products. Only then will we be able to speak about a possible threat from EC. But that is a matter of a rather distant future.

Benefits to Poland of Western Aid to Russia

92EP0344B Warsaw RYNEK ZAGRANICZNY in Polish No 33, 17 Mar 92 p 7

[Article by Maria Olszewska: "Assistance With Question Marks"]

[Text] Poland's interest in giving assistance, particularly food, to the starvation-threatened nations of the former Soviet Union has its own motivation. We see in this an opportunity for ourselves—an opportunity to ease our own difficult economic situation precisely by taking part in assistance for the CIS [Commonwealth of Independent States]. We are offering food and medicines, which have no chance on Western markets, in exchange for money granted for this assistance by EC. This was also clear for the West which, in turn, could assist the very needy Polish economy in this way.

The wave of our interest in becoming part of the Western assistance program with our commodities has "risen and fallen several times," according to Maciej Lesny, assistant director of a department in the Ministry of Foreign Economic Cooperation, participant of most of the negotiations in these matters. It usually rose when fundamental decisions were made, especially when "assistance quotas" were defined. But when it comes to describing specifically the forms in which they are to be expended, to choose the contractors and those who will possibly benefit by this, interest falls.

That is how it was already in the first stage of EC activities, i.e., beginning in November 1989, when low interest rate credits were granted to the former USSR. The arduous talks went on for a long time, first with the former USSR, then with CIS, finally with Russia, as to who will guarantee the return of the credit.

We immediately entered the picture, submitted a number of commodity lists, and backed them up with the proper motivation. We were, after all, previously very heavily involved economically with the former USSR, and the drastic drop of export to the East brought about the collapse of many of our enterprises. Furthermore, it is our goods which are the closest to CIS, hence the transport will be the cheapest.

As time passed it turned out that within the amount promised for our transactions (50 percent of the first part of the loan—500 million ECU's [European Currency Units]), we were shown as the executor of the deliveries, it is true, but in the company of Hungary and Czechoslovakia. In November of last year, there were already more partners. It also turned out then that nine countries are authorized to buy for a sum which is already only equivalent to 25 percent of the sum designated for this assistance. The Hungarians, Czechs, Lithuanians, Latvians, Estonians, Bulgarians, Romanians, and even the Yugoslavs (on condition that they put their political situation in order), have the right to participate on a par with us.

Immediately in November we sent a delegation for concrete talks with the appropriate EC agencies. The delegation included specialists in the field of food trade and banking services, because that is the kind of offer we submitted.

But when it came to technical decisions, a number of special requirements were placed before the executors of the Eastern transactions. Here are a few: Only 15 percent of the value of the transaction can be designated for storage and transport; the commodities must comply with the standards of the buyer (concretely, Russian, because in the end it was the only one which gave the credit guarantee) and at the same time, the standards of the country of origin; the contracts must be according to world standards. As to the commodities indicated by EC to be the most in demand in the Eastern transactions, they include: soya, rice, peanuts, sunflower oil (which, as we know, have little in common with Polish production), and a little beef and a little powdered milk.

Finally, three Russian foreign trade enterprises, designated for these operations and approved by EC, were informed by it that 25 percent of the assistance purchases should simply be made in our zone, not necessarily in Poland. EC experts have the right to check every contract, there must be three bidders and they will choose the right one, or reject all of them.

A new wave of hope came in along with another EC assistance loan for CIS countries, amounting to 1 billion 250 million ECU's. This time we have some promises that our suggestions as to a commodity bid will be taken into account. Furthermore, it is expected that 50 percent of the

entire sum, which means about 650 million ECU's, will be allocated for execution of commodity contracts in Central and East Europe. The Polish offer pertains chiefly to deliveries of pharmaceutical products. It is less than our abilities and expectations if one takes into account that previously we supplied these products to Soviet contractors for about \$900 million annually.

Nor have we overlooked the "Japanese trend" in making a bid as soon as Japan suggested a willingness to offer assistance to the former Soviet nations. But during a conference in Washington, the Japanese made it explicitly understood that they are not interested in "giving money for construction of houses for Soviet soldiers withdrawing from Germany as long as other Soviet soldiers are still on the Kuril Islands."

Three main areas were delineated in which the international community intends to help the eastern CIS: housing construction (in the form of technical assistance), food and medicines, and energy. Poland has made offers in all of these areas. We have proven that in long-range technical assistance, for example, we have the greatest capabilities—through close proximity and traditional ties, and familiarity with the needs and realities there. Our negotiators are responsible for the fact that everywhere we see signs saying that Polish services entail the lowest costs. Whether this will bring results, we shall see.

In addition, Poland, also within the framework of international humanitarian assistance, submitted an offer for our neighbors—Ukraine, Byelorussia, and Russia. We have offered deliveries of food and medicines valued at 10 billion zlotys [Z]. The Council of Ministers made a decision on this matter at the end of January, setting 15 February as the day for final distribution of gifts, in consultation with the neighboring states. But the date had to be changed because, acting within the framework of the international system, we had to comply with the rules in effect there, and the international organizations want to look into the details of these deliveries.

This time the WHO [World Health Organization] verified the list of pharmaceutical needs submitted by the Eastern side. Out of 250 items of medicines and the most indispensable equipment (heart transplant, artificial kidney, and computer-scanning equipment), about 50 remain which will be further verified on the spot in the CIS countries. It is expected that this evaluation will be completed late in March and then, also in conformance with the rules accepted in EC, Polish bidders of medicines and food for Z10 billion will be selected.

Our present situation is such that it is precisely our humanitarian assistance that we will probably be able to accomplish the soonest. For the rest, i.e., the benefits, we are still waiting.

Polish Prominence in Byelorussian Trade Noted

92EP03444 Warsaw RYNNI ZAGRANICZNE in Polish No 36, 24 Mar 92 p 7

[Article by Jozef Zielinski: "Byelorussian Offer of Cooperation"]

[Excerpts] The visit in Warsaw of a Byelorussian economic delegation under the leadership and vice-chairmanship of the Byelorussian National Committee on Foreign Economic Relations made an important contribution to the development of mutual cooperation. A "Protocol on Economic-Trade Relations Between the Republic of Poland and the Byelorussian Republic" was signed and information was exchanged on mutual economic ties and prospects for the current year. Michal Frackowiak, undersecretary of state in the Ministry of Foreign Economic Cooperation, conducted the talks on the Polish side.

The protocol confirms the provisions contained in the 1 November 1991 Poland-Byelorussia intergovernmental agreement indicating the concrete tasks which would ensure the development of bilateral economic relations. The necessity of increasing the capacity of the present border crossings and improving the efficiency of customs clearance was recognized. To make fuller use of the industrial potential and to increase commodity exchange, both sides will assist in strengthening the existing coproduction ties and establishing new ones, taking into account also the changes in the assortments of production being made in both countries.

Poland and Byelorussia see a need to strengthen cooperation between the banks of both countries in order to effectively service the various forms of trade, investment, and other economic ventures. An organization of Polish-Byelorussian commercial banks is being planned. The creation of Polish-Byelorussian schools of business, preparing cadres for the market economy, is also deemed advisable. Emphasis is being placed on improving information to make it easier for the economic organizations of both countries to work together, including information on the current state of legal standards, the organization and status of special economic zones being formed, and methods of solving problems of trade cooperation.

The attached lists of commodities, containing bilateral proposals of deliveries, include many products traditionally exchanged between our countries and also take current needs into account. The Polish side is offering medicines, certain semifinished chemical products, rolled products, coal, grain, sugar, cement, lathes, mechanical vehicles, aviation equipment, machines for the food and textile industries, gear boxes, and construction services. Byelorussia intends to sell us tractors, trucks, artificial fertilizers, chemicals, timber industry products, metal products, certain food articles, alcohols, and other products.

The lists are extensive and do not have an obligatory character. The assortment of deliveries can be greatly

expanded if the unquestionably difficult payments situation of our partners permits. Not having large reserves of convertible currencies, the Byelarussian side will certainly prefer barter transactions.

Mutual trade is growing greatly. Last year turnovers showed a 20-percent increase, reaching approximately \$150 million. Poland was the most important importer of Byelarussian goods and ranked second in export to that country. [passage omitted]

The expanding offer of Poland-Byelarus cooperation may stimulate commercial exchange. Specialists from our Ministry of Foreign Economic Cooperation believe that this year's turnovers will be at least as high as last year's.

Restructuring Proposal for Cotton Industry

92EP0302A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 18 Mar 92 p IV

[Article by Antoni Kowalik: "How To Save the Cotton Industry: Getting Rid of the Dead Weight"]

[Text] The Agency for Industrial Development [ARP] has proposed a program for restructuring 11 cotton branch enterprises. This branch has been one of the hardest hit by the recession. According to the program, "the healthy portion" of the entire group of these enterprises will be isolated (this selection will be based upon an assessment of their technical status, which has already been done) and assistance will be targeted in these directions.

The analysis shows that if this principle were really used to restructure the cotton industry in the Lodz region (plus Zwoltex in Zdunska Wola), then of the 21 spinning mills in operation there, 13.5 would remain (the plan is to liquidate only one-half of one mill); of 16 weaving mills, six would remain and three would be liquidated by one-half; and, of nine finishing plants, five would remain. Meanwhile, the

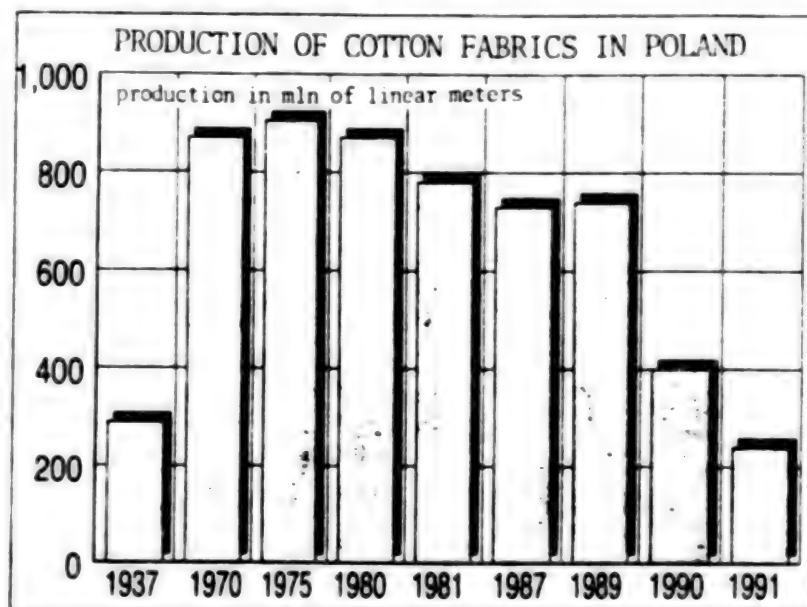
program does not provide for the complete liquidation of any of the enterprises. The adoption of this proposal signifies a 44-percent reduction in production capacity in the cotton industry for weaving mills, a 28-percent reduction for spinning mills and a 41-percent reduction for finishing mills. It is assumed that in the next few years there will not be a significant increase in domestic consumption and in export potential. In recent years there was a significant decline in the utilization of existing production capacities—of up to 40 percent in weaving mills, of up to 39 percent in spinning mills, and of up to 29 percent in finishing plants.

A Drastic Recession

The greatest development in the cotton industry took place in the 1970's. At that time 32 enterprises in this branch were in operation in Poland. Of these, 16 were located in Lodz. The 32 enterprises employed a combined total of approximately 120,000 workers. They produced, among other things, 223,000 tonnes of cotton yarn and synthetic cotton yarn. For the sake of comparison, in 1983 these same 32 enterprises produced approximately 50,000 tonnes and in 1985 they produced 180,000 tonnes.

The end of the 1980's and the past two years have been a period of severe recession in our cotton industry. An utterly catastrophic reduction in basic production for the mass consumers has occurred for such products as bed linens and underwear and clothing fabric. (See graph.)

The equipment in cotton factories is worn out and obsolete. Most of the spinning machinery is domestically produced or comes from CEMA countries. More than 80 percent of the ring-spinning frames are over 15 years old, and a total of more than 60 percent of the equipment in the spinning mill has been in operation for over 10 years. In addition, the yarn from our plants is not competitive in terms of price because of the low productivity of equipment. This also applies to labor productivity, which is also low in our factories of this



branch. In Poland, for example, it takes 14 man-hours to produce 100 kg of yarn, while in Germany this index is 8.3 man-hours. Likewise, obsolete and energy intensive equipment is worsening this situation.

The Dictator of the Market

Finishing plants are of key importance in the entire production chain in the cotton industry. In these plants the fabric is dyed and printed, i.e., it is given a pattern, a texture and a style, all individual characteristics which determine how attractive it is on the market. This makes up a significant part of the value of the item.

Meanwhile, modern fabric finishing equipment is capital intensive. The task of this equipment is to ensure brief series of patterns, their wide differentiation and clean color quality corresponding to color trends. Worldwide, fabric finishing is entrusted to the appropriate enterprises, which are set up for reacting quickly to the market's needs. In Poland, for the most part, manufacturers themselves handle this, and it is difficult for them to adapt to current fashion, the need and the like.

In the cotton industry, no investment of major significance has been implemented in recent years. Even worn out machinery and equipment have not been replaced. The reason is a lack of funds caused by a sudden drop in domestic demand and the collapse of export to the former USSR, as well as the increase in the cost of manufacturing and the financial burdens on enterprises. In the Lodz

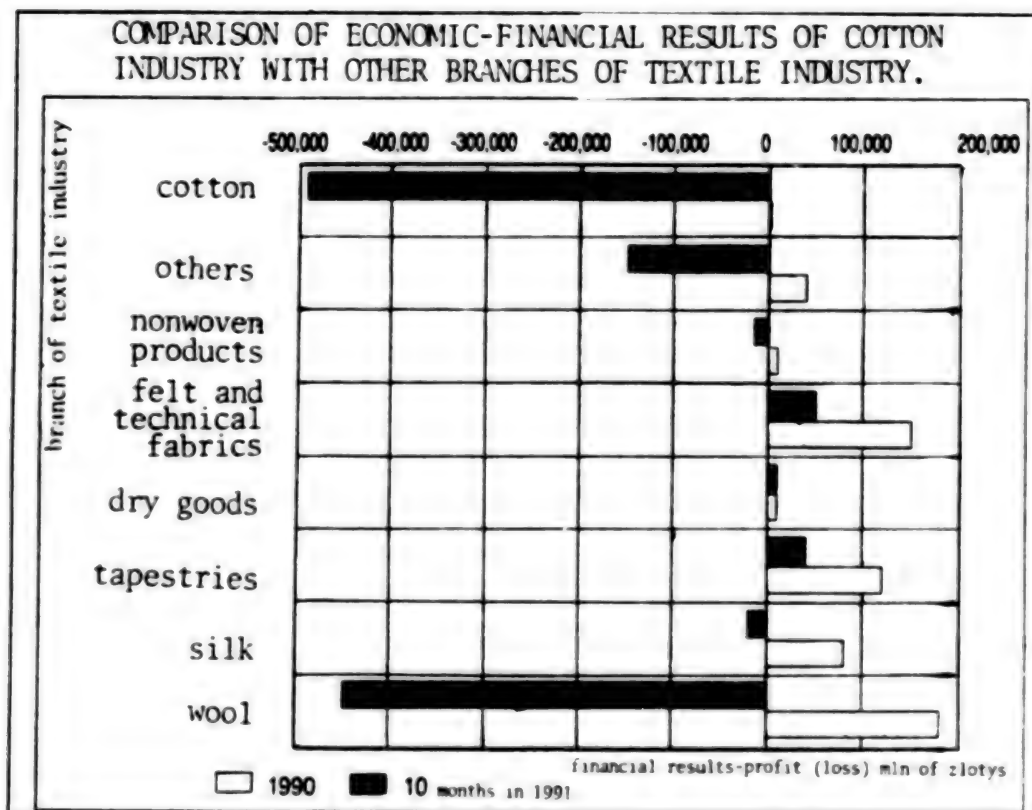
district, for example, enterprises in this branch showed a total loss last year of 530 billion zlotys.

The analysis of the status quo of the branch used as the basis of the proposed restructuring program primarily concerns technical matters and not only the financial condition of the plant, which was the case in past analyses. Assessments were made primarily according to such criteria as: the technical status of machinery and the possibility for producing products that will really sell, equipment which will make possible the production of products with a European standard, the technical condition of buildings and their functionality, and the location of an enterprise and its noxiousness to the environment, as well as the level of utilization of equipment on hand. Based upon this, reductions in production capacity were proposed; meanwhile, whatever meets market requirements was retained in the enterprises. The program does not propose the complete liquidation of any plant. Instead, the basic assumption is that the healthy portion remaining after the individual enterprises are cut back can be a "nucleus" for their further development when a favorable period occurs.

Centers of Profit

As a result of the cutbacks, enterprises would be rid of dead weight in the form of excess assets. This would make it possible for them to improve their financial conditions as well, since they would not pay tax, dividends, and, in general, the attendant obligations on the liquidated portion.

According to the proposal, an institution such as an excess assets board should handle this property. This board



would get the legal status of the property in order and it would do appraisals. Then the assets could be sold, leased, managed and the like. It is stressed that such a solution would make it possible to halt the sale of an asset at any price (this is done at present by many plants which are forced to this because they are short of money).

Management at the enterprise level should also be restructured since they are inefficient in this regard. The restructuring of production departments into centers of profit is proposed, so that they may control costs better. On the other hand, restructured enterprises should be reorganized into single-person companies of the State Treasury, managed by a president and two deputies: one for marketing affairs and development and one for financial affairs. All

problems related to production management now handled by directors should come under the jurisdiction of department managers.

The program also states that in order to make it possible to conduct a joint financial policy for the plants of this branch and to carry out decisionmaking regarding development, a joint organization of these enterprises, a holding company for example, should be created. These holding companies should also include banks which will grant credit to these plants as well as the appropriate organs of local administration.

It is not known whether this sort of program will be acceptable to directly interested parties. The program was already presented to 11 enterprises which will decide whether to become part of it or to save themselves independently.

Verdet on Party's Future, Split in FSN

92BA0822A Bucharest CURIERUL NATIONAL
in Romanian 18 Apr 92 pp 1, 5

[Interview with Ilie Verdet, chairman of the Socialist Labor Party, by Andrei Alexandru; place and date not given: "I Do Not Want a Parliament Seat"]

[Text] Anyone who thinks that Mr. Verdet is still looking to the East, is wrong. His office in the Olari Street is showing signs of change: AGFA equipment (made in Germany), IBM computer (made in the United States), a handsome clock on the wall with the logo John Player Special (this kind of cigarettes is for sure not manufactured in the East). In short, the PSM [Socialist Labor Party] appears to be a... prosperous party! But let us see what news we found out from the PSM chairman.

[Alexandru] The Prosecutor's Office was recently notified by the Ministry of Justice about certain irregularities concerning your registration as a party. What can you tell us about that?

[Verdet] We are imputed certain matters of principle in our statute and platform. Absolutely everything, our entire statute and our entire platform-program were put under the magnifying glass by the courts and prosecutor's bodies when we registered with the Bucharest Municipal Tribunal in January. Now a special appeal is on file and the Prosecutor's Office is obligated to follow the procedure. We are not bothered by this fresh harassment. We are ready to once again answer any question and we have become accustomed to being continuously harassed. We are, however, bothered by something else, especially since it comes from avowed bearers of the democracy banner. Ever since Mr. Quintus, a well-known PNL [National Liberal Party] member, became minister of justice, the PSM has been "enjoying" a discriminatory treatment from the judiciary power. This time too we presented the documents requested on the date due and we continue to believe that the Romanian judiciary will do its duty. We also hope that once this special appeal is over, we will be allowed to do our work in peace, so that the fate of this party should be decided by the electorate, not by administrative measures. That is the democratic way. In a way, all this to do around the PMS gives me a sense of confidence. It means that many fear us. Why has no similar procedure been requested for the myriad of parties currently registered? I am convinced that few are still in line with the legal regulations. Such an investigation should be very interesting. So, once again, we are being subjected to a special, discriminatory treatment, which also has a good side to it: It gives us free publicity.

[Alexandru] The fact that two parliament members [MP's] joined the PSM stirred a lot of protest.

[Verdet] I think that the special appeal I was talking about was due precisely to the fact that two MP's signed declarations of support for the PSM. Otherwise I cannot explain the fact that only now, three months after we registered, someone remembered the statute and the platform. As for the acceptance of the two MP's into the PSM, that followed a more special procedure, precisely because they are

deputies. Thus, we convened the Steering Committee to voice its opinion on the matter. But the storm was unleashed in the Assembly of Deputies. Such transfers occurred by the dozen and no one paid any attention. Now, however, it was said that these transfers were immoral and all sorts of other things. Why are they saying that now, is what I want to ask those who so fiercely fought against changing from one party to another? In any event, any procedural interdiction about MP's transferring cannot be made retroactive.

[Alexandru] Would you care to comment on the split in the FSN [National Salvation Front]?

[Verdet] I think I had better not interfere. But I would like to talk about a currently much discussed aspect, especially by the "Roman wing," namely that of anticommunism. For two years we have been in a continual state of demolition. There is a kind of contest in our country for who is more anticommunist. I think the time has come to abandon these slogans, which do not help in anyway, just as they did not before. The only criterion that we are obligated to use is competence. What good will it do to promote someone with a clean file if he cannot do the job. That would be a repetition of the previous situation, when the decisive factor was the file, not the person. Once and for all we must stop this game, dangerous for the entire Romanian society. "You were a communist, move over, I am an anticommunist. I will sit at the head of the table." Mr. Roman now accuses his own party of having been invaded by communists. Was he not the "national leader?" Why did he not do anything at the time? Now we find former activists both in the FSN, but also in the historical parties. Even more curious is the fact that people who were in government are unhappy about their own decisions: The social shares should not have been returned. The land stock law was badly implemented. Too much money was spent from the budget on social needs. Did anyone force them to take such decisions? Who is responsible for them? Or maybe they now want to shift onto others the responsibility for their own mistakes? Perhaps those who made the mistakes wish to give the impression that the current situation was caused by former PCR [Romanian Communist Party] members. I view this as pure demagoguery. This kind of anticommunist campaign has no chance of gaining credibility.

[Alexandru] Is your party ready for the general elections?

[Verdet] Yes. We will run candidates in all the electoral constituencies.

[Alexandru] Will you yourself candidate?

[Verdet] I do not want a parliament seat. I will view my duty as done if I have managed to organize and rally the left wing. The country cannot have a democratic and normal political life without a left wing.

Problems in Privatizing Trade, Tourism

92BA0821B Bucharest TRIBUNA ECONOMICA
in Romanian 3 Apr 92 p 26

[Article by Ioan Georgescu: "A Dilemma in the Consideration of the Government: To Lease or To Sell Assets?"]

[Text] The privatization mechanism in trade and tourism is a topic of interest to many of our readers. Studies made by the Ministry of Commerce and Tourism together with county centers on the progress of the process of privatizing trade and tourism activities by means of leasing and renting have led to a reevaluation of the current mechanism. In this article we will present the major flaws found in the implementation of the present legislative framework, and the recommendations made to remedy the situation.

One year after the beginning of the process of renting out and leasing 45 percent of the commercial units and 40 percent of tourism units, a first review for the January-March period of this year became necessary. The Trade Regulation Department [DRC] carried out a detailed analysis of a sample made up of 5,635 units of the 10,631 units rented or leased out, regarding the implementation of the government decisions No. 1228/1990 and 140/1991 dealing with this area.

The main conclusions derived from this analysis were:

1. The privatization of activities (not of the properties) contributed to increasing the interest of the tenants in carrying out efficient activities, which was reflected in increased sales, greater profitability of the leased or rented units in view of the increased volume of sales, and greater profitability of the units rented or leased out in comparison to those directly managed by state companies (for example, the Bucur Obor Commercial Association S.A., Romarta S.A., Delfincom S.A.).

At the same time, it was noted that the commercial presentation of wares and services had improved and that modernization and interior design work had been done at some units, something which proved that the revenues permitted such outlays. By getting their supplies directly from the suppliers and offering extended or nonstop opening schedules some privatized units secured higher revenues for their personnel than other commercial units, often by charging prices accessible to the consumers (ex: Comalta S.A., Sfintu Gheorghe; Olcom S.A., Slatina, and other commercial firms in Bistrita, Suceava, and Baia Mare).

As for the legal status, although initially the tenants were branches of large companies, the great majority of these rental or lease units became commercial firms in accordance with Law No. 31/1991.

However, the study also revealed various violations of contract terms and of the legal obligations of tenants and lessees. Thus, the findings included: auctions unsatisfactorily organized in some cases, with insufficient publicity and transactions not open enough; superficial contracts that did not clearly establish the obligations of the sides; insufficient and inadequate price studies for auctions;

failure to pay rent or to pay for the circulating assets taken over in management; the practice of higher commercial markups than those declared at the auction; laying off personnel whom the rental or lease units pledged to keep on at the time of the auction, and so forth.

This kind of situations were also exacerbated by flaws in the legal framework, especially regarding the rights and obligations of the tenant and tenant control. In view of the findings, the DRC recommended a temporary halt in the process of renting and leasing out commercial and tourism units until the legal regulations in effect have been revised and expanded.

This is all the more necessary since the long-term, 5-10 years' privatization of activities conflicts with the more recent legislation regarding the process of complete privatization of property flowing from Law No. 58/1991. So far, assets have already been sold in counties Mures (11), Covasna (2), and Zalau (3).

The new regulations will more clearly and firmly promote certain principles such as: consumer protection (regarding prices, preserving the profile of the unit, employee protection), correct running of the assets taken over in management (working out modernization and development programs during the lease term), legislating the tenant's right to use the lease to cover expenses (amortizing the building and fixed assets, inventory wear and tear, capital repairs done by the tenant, his general management expenses, and so forth).

Stipulating such principles of lessor-lessee relations in the contract, also in the form of an accompanying task book annexed to the contract, can provide the legal basis for canceling the contract when its clauses are not observed.

We will come back with further details as this project materializes into a bill.

Assistance Programs for Smaller Entrepreneurs

92BA0821A Bucharest TRIBUNA ECONOMICA
(supplement) 10 Apr 92 p VI

[Article by G.A.: "Private Entrepreneurs: Assistance Programs for Small and Medium-Size Businesses"]

[Text] In response to the numerous requests we received from our readers in the private sector of the economy, beginning with this issue we will publish elements of the system of economic assistance offered in various forms by recently established government or nongovernment institutions.

The Department for Small and Medium-Size Businesses of the National Privatization Agency [ANP] (4-6 Ministerului St., Bucharest, Sector 1)

Offers free consultancy on starting and carrying out development projects for small and medium-size businesses.

In order to expand such services throughout the country, a strategy has been mapped out designed to establish a national network of consultancy centers controlled by this department in all county seats.

In keeping with its statute, this ANP department can be commissioned to do estimates of commercial assets and companies, feasibility studies, assignment schedules, etc.

The department is a general member of the World Association of Small and Medium-Sizes Businesses and as such it will organize the National Committee of Small and Medium-Size Businesses, a nongovernmental body acting as a representative in relations with similar foreign bodies. The committee may take legislative initiatives to facilitate the development of small and medium-size businesses, organize fairs in the country and abroad in conjunction with chambers of commerce, establish business contacts, etc.

The Romanian Center for Small and Medium-Size Businesses

A semigovernmental body, a project financed by the EEC and carried out by the Italian consultancy firm Confederazione Nazionale Artigianato e delle Piccole Imprese of Venice (CNA).

The draft strategy mapped out by the CNA at the request of the department in charge of the reform strategy and economic integration of the Romanian government envisages a system of regional branches coordinated by a national center, which will examine, together with the Romanian side, the feasibility of and guarantees for projects for which credit is requested, and will at the same time provide assistance in many areas.

Thus, the regional centers will feature the following activities (departments):

Technical assistance—by groups of economic information, business incubators [incubatoare], marketing and management consultancy, bookkeeping, business contacts, and permanent training.

Technical innovation—technical documentation and information, aid for developing new ideas, and nonrepayable financing for creative ideas.

Locating premises—facilitating the procurement of premises for small and medium-size businesses lease or for purchase at accessible prices or fees, thus helping to start up this sector of the economy. The center will also furnish conclusions culled from the analysis of the market mechanism for the use of the ANP, regarding the difficulties encountered by private entrepreneurs in their work, with a view to pinpointing solutions for eliminating such difficulties.

Credit assistance—the vicious circle of the shortage of capital for small and medium-size businesses is to be broken by having the CNA assume a portion of the risk involved in crediting small businesses, and by helping these businesses obtain the most advantageous possible loans, at a low interest rate and on a long-term basis.

The main objective of the strategy for developing small and medium-size businesses promoted by the center in Romania will be to ensure long-term stability for the

economic enterprises as an indispensable stage toward consolidating the structures of a market economy.

—The Consultancy Center for the Development of Private Initiative, financed by the U.S. International Development Agency, headquartered at the Polytechnical Institute, Bucharest.

The project will be carried out in cooperation between Washington State University and the Management Department of the Bucharest Polytechnical Institute.

The organizers envisage a dual role for the center: providing entrepreneurs with free consultation in matters of conjuncture and marketing studies, working out business plans, learning decisionmaking accountancy and stock-market transactions, and, on the other hand, serving as a research laboratory where teaching staff can study the processes involved in privatization and the shaping of an entrepreneurial spirit.

—The Consultancy Center for Small and Medium-Size Businesses (3-5 Modrogan St., Bucharest, Sector 1)

This center was opened on 18 February 1992 with the help of the United Nations Development Program.

Proceeding from the view that small entrepreneurs run into the greatest difficulties in starting up industrial projects, as compared to businesses in trade and service areas, the center plans to organize mass information actions designed to demonstrate the advantages and superiority of productive investments. In order to disseminate information and knowledge the center will utilize both the mass media and will publish textbooks on the market economy, and will open a specialty library for the use of private entrepreneurs. Another facet of the center's activities will handle assistance throughout the process of establishing a business, beginning with project analysis, the establishment of business schedules, procuring conjuncture and marketing information, establishing contacts to equipment suppliers, etc. The final stage of the information circle will be to formulate recommendations on improving the legislative economic framework.

—The Credit Guarantee Fund for small and medium-size businesses in Romania, which will become operational in about three months' time. The purpose of this new financial body is to help entrepreneurs in our country.

On 23 March at the ANP office in Bucharest, a cooperation agreement was signed with Burges Forderungsbank, an Austrian financial institution sponsored by the federal government, which will contribute to supporting this initiative. The Austrian assistance will consist, among other things, of the actual organization of the fund, personnel training, computer program assistance, and providing computer systems. The fund expects to secure support in the amount of 5 million Austrian shillings for providing such assistance; its initial budget will be of 7 million lei. Several Romanian banks will also contribute to the formation of this fund.

Guaranteeing loans will provide a powerful argument for all the banks to give credit to small entrepreneurs.

Election Legislation To Be Decided in Referendum

92BA0800B Ljubljana DELO in Slovene 10 Apr 92 p 2

[Article by Jana Taskar: "The Voters Will Decide Themselves What Kind of Elections They Will Have"—first paragraph is DELO introduction]

[Text] The NDS [National Democratic Party] has collected enough signatures in the Assembly that the parliament will have to schedule a legislative referendum; a question and a draft law have been prepared for the referendum; the will of the voters is also binding on parliament.

Ljubljana, 9 Apr—During the entire period of the coordination of the future electoral legislation, the NDS was advocating a referendum in which the voters would say what kind of elections they want. They will now be able to carry out their intention. Yesterday in the Assembly they collected 84 signatures of deputies from a majority of the parliamentary parties under their proposal for scheduling a referendum. Article 90 of the new Constitution, in fact, provides for a legislative referendum that has to be scheduled by the State Assembly (the future legislative body) if it is requested by at least a third of the deputies (80 of 240 in the present case), the State Council, or 40,000 voters.

According to this constitutional provision, all citizens who have the right to vote can participate in the referendum, and the proposal is adopted if a majority of the voters who have voted vote in favor of it. The State Assembly is committed to the outcome of the referendum, that article further specifies. This means that the parliament would essentially just formally pass the proposed law on elections to the State Assembly if it receive the support of a majority of voters in the referendum.

The last paragraph of that regulation, according to which the law on the referendum is to be adopted by the State Assembly by a two-thirds' majority, is not disputed either. The constitutional law on implementation of the constitution, in fact, specifies that as of the day of the proclamation of the new constitution, all regulations and other general acts that were in effect on that day are to remain in effect, and provisions that are not in accordance with the constitution have to be brought into accordance with it by the end of 1993 at the latest. Since we have a referendum law in Slovenia, consequently all of its provisions that are not contrary to the new constitution are valid, and the constitutional provisions apply directly to them.

The party has also formulated the question on which the voters are to take a position in the referendum, namely, whether the Assembly of the Republic of Slovenia should pass the law on elections to the State Assembly, according to which 44 deputies are to be elected directly by a majority system, and 44 are to be elected through party state lists, with the text as proposed.

The text of the proposed law prepared by the NDS does not bring any innovations in its organizational-technical section, since it was summed up according to provisions that the latter has also accepted. The innovations are only in the method of the elections (modified after the German system), in which, as stated at today's press conference, the NDS will not consent to substantive changes.

According to their model, Slovenia would be divided into 44 electoral units. Each voter would cast two votes in elections, one directly for the candidates who would be elected according to the majority system, and the other according to the party list, in which the seats would be distributed according to the proportional system. Any individual, including an independent, could be a candidate for the first group, i.e., for direct elections according to the majority principle, if he collected 50 signatures in his own electoral unit, where he would also have to have permanent residence. For the elections of deputies to the State Assembly through the party lists, the candidates would be specified by the political parties according to their own internal rules, with the provision that a party can only compete for seats in the State Assembly if it has at least a thousand members, or if it collects 500 signatures in support. The state lists will be determined by secret ballot. Coalitions are not excluded from this candidacy, since several parties could propose a joint list under one name.

The outcome of the voting for the half of the deputies who would be elected according to the majority system would be determined in the electoral unit. The seat would go to the candidate who collected a majority of the votes of all the voters who voted. If no one receives the necessary majority, a second round of elections will follow, in which the two candidates who received the most votes will compete for the seat.

The outcome of the voting according to the party state lists, however, will be determined by a republic electoral commission for the country. This means that it will count all the votes received by an individual party or its list. Then they will separate out the lists (parties) that received less than 4.5 percent of the votes, and the threshold for entering parliament, in fact, is at least two seats. The votes of the parties that have been separated out would then be given to the parties that remain, according to the ratio of the votes received, of course. The percentage of the votes would be divided by 2.6, and the party would receive the number of seats in the quotient.

Two seats in the State Assembly belong to the deputies of the Italian and Hungarian nationalities, who are also elected according to the majority principle. If two candidates were possibly to receive the same number of votes, the awarding of the seat would be determined by drawing lots.

New Leader of Party for Equality of Citizens*92BA0800A Ljubljana DNEVNIK in Slovene**9 Apr 92 p 3*

[Interview with Vejsil Horozovic, acting president of the Party for the Equality of Citizens, by Milena Ule; place and date not given: "Today We Are Not Yet Equal"—first paragraph is DNEVNIK introduction]

[Text] Vejsil Horozovic, acting president of the Party for the Equality of Citizens; after Marojevic's replacement, there has been a considerably larger response among Slovenes as well.

Ljubljana, 9 Apr—The Slovene party merry-go-round is spinning more and more madly—because of the authorities—but we have a party (Party for the Equality of Citizens) that is not on it! It has calmed down somewhat between the military aggression against Slovenia and now, when the detested Dragisa Marojevic has started to withdraw from the post of its president. With his Belgrade ties and blunt statements, he accumulated for the party a great deal of intolerance among Slovenes, and also discomfort among members of the other peoples whom he was representing. He will finally have withdrawn, or been withdrawn, by the fall.... For several months now, Vejsil Horozovic has already been the acting president of the Party for the Equality of Citizens.

The first thing that a person notices in talking with him is that he speaks very good Slovene, with a Gorenjsko accent. In fact, he lives in Jesenice, and in any case already has 20 years of "service" in Slovenia, as well as a family. He went to graduate school in Kranj as an engineer for work organization, he is employed at the steelworks, and he has already been waiting for a long time, like many of his relatives and Slovenes as well. I was interested in why nothing has been heard of their party's voice in public recently, but first of all I asked him what was happening with the party's former president, Dragisa Marojevic....

[Horozovic] Marojevic is officially still here, but he will probably leave—where, I don't know. He no longer has any sort of duties in the party, but he is still a member of ours.

[Ule] What about the party's membership? Is it fading away or increasing?

[Horozovic] After Marojevic's replacement, one can sense a better response to our party among people. They are returning. After the so-called war in Slovenia they hid, but now they are encouraging us to continue like this, quietly. There are many of them who indicate that they would like to join, but are still hesitating.

[Ule] How does this base differ from the previous one?

[Horozovic] Previously they condemned us and criticized us for relying too much on Belgrade and Titograd. It was true that we also sought advice down there as well, but it is also true that we tried to cooperate with Slovene institutions, but were unsuccessful in this. Now we are oriented exclusively toward the Slovene institutions, toward parliament, the government, and the parties. Nevertheless, if

they are not sympathetic to us, we will turn outward again, but exclusively to European institutions.

[Ule] Do you have any specific proof of a lack of sympathy toward your party on the part of Slovene institutions?

[Horozovic] There are several such proofs, but let me cite just the most obvious one. Last September, the Moscan občina (across the road here!) sent a cancellation of our office spaces (25 square meters), without wanting to explain to us why. Now they are no longer sending us bills for the rent, which we are also consequently not paying. But obviously the občina does not have any space shortage. Here next door to us the spaces have already been empty for a long time, and no one cares, but we seem to be in their way....

[Ule] Do you have alliances with any other parties?

[Horozovic] When other parties started to be established in Slovenia, the HDZ [Croatian Democratic Community], the SDA [Party of Democratic Action], and the SDS [Serbian Democratic Party], we tried to establish ties, but it was a fruitless effort. Our party is not a single-nationality one, and we have representatives of all peoples—you won't believe it, even Slovenes! Probably no one knows that the principal creator of our party's program was also a Slovene, a prominent person, a doctor by profession, who does not want to be named publicly. There are several more such people who are in our party, but do not show themselves in public, which simply indicates that they are afraid of the reactions of those around them. I also have experiences with this. I am telephoned by people, usually after midnight, and they scold me and tell me that I ought to take off for Serbia. But I am not even a Serb. I am a Muslim from Bosnia-Herzegovina!

[Ule] Are you already a Slovene citizen?

[Horozovic] The authorities settle these matters of Slovene citizenship very slowly! I submitted my application back in November, but I have not yet received any response. I do not know what they are still checking on, for this business to be dragged out so long. It was said that we would all receive responses in at most two months (by 25 February), but nothing came of that. It seems to me that they are dragging it out deliberately, and for that reason, we people who came from other republics, who have already been living in Slovenia for a long time, are in an unequal position. We cannot buy apartments. I, for instance, am only given five checks at the bank, even though I have money, because I obviously do not have Slovene citizenship.... It is also for this reason that many people do not obtain employment, even though they submitted citizenship applications on time! This is not civilized and it is not decent. I myself, for example, have a family here, everything that I have is here, and I also spend everything here, and consequently I expect to be in a position equal to that of all other citizens of Slovenia who are Slovenes.... Actually, we are in an awkward position, because we do not have anyone to complain to. Representatives of our party have talked about this problem with representatives of the government and the Presidency, but we did not achieve anything. The declaration of good intentions that the

Slovene Assembly adopted remained mere words on good intentions, since the government, its Ministry of Internal Affairs, is acting on its own, regardless of it. Our status simply has not been settled. This does not involve a small group of people, however: there are certainly about 300,000 of us members of other peoples who live and work in Slovenia, which is about 15 percent of the population—but we have neither citizenship nor a name. They would like to naturalize us as Slovenes or something! Our party advocates the position that every citizen should have equal rights—what we are demanding for ourselves is nothing but what others already have, the right to their own culture, schools, and language. It is a person's basic right to say what he is and to enjoy the fruits of his own labor. If we are all creating and contributing to culture and sports, and we are paying income tax, then we also have the right to receive some of this for ourselves! The Sava cultural-educational society for members of other nationalities in Ljubljana is thus merely vegetating because it is not receiving any subsidies. We ought to have our own club

premises, we have asked for them, and we still think that some room for us as well could be found in the vacated army facilities!

[Ule] How do you view the Slovene nationalist phenomenon named Zmago Jelincic?

[Horozovic] What Jelincic does is not a credit to Slovene politics or to decent people! To put it mildly, he makes strange statements, he stages incidents with "southerners," and he walks around with weapons and even shoots, but nothing happens. I have never heard of official Slovene political circles or any party disassociating itself from his actions and condemning him. The state authorities have registered him, to be sure, and we now expect that the Slovene state will protect its own citizens against him and take appropriate measures. In this regard, we wonder what sort of scandal there would be in Slovenia if any of us behaved like the above-mentioned president of the Slovene National Party.

Vojvodina Social Democrats Score Serbian Regime

92BA0841A Novi Sad MAGYAR SZO in Hungarian
18 Apr 92 p 7

[Article by Gy.I.: "'This Regime Is in Its Final Hours'—As Heard at the Obecse (Becej) Public Forum of the Vojvodina/Yugoslav Social Democratic League"]

[Text] A few weeks after the formation of an organizing committee to urge the establishment of a local organization of the Vojvodina/Yugoslav Social Democratic League, a public forum was held Thursday evening in the theater of the Obecse cultural center. The event was called "Vojvodina Today and Tomorrow" and attracted an audience of 250, among them League President Nenad Canak and League leadership members Branislava Kostic and Vladimir Kranjcevic. After welcoming remarks by Obecse organizing committee chairman Nandor Lajko, Nenad Canak asked those present to pay standing, silent tribute to the memory of war victims. In the course of the event Canak explained that his organization was not a national party but a civil organization aiming for achieving its goal as a result of the full enforcement of national rights and the full guarantee of civil rights. The league is firmly opposed to armed conflicts and to the resolution of conflicts by force, and advocates a negotiated search for settlements. Speaking of the horrors of war, Canak said that as of 1 March 1992 a total of 106,823 persons had been mobilized in the Vojvodina, and that at present about 40,000 persons from the Vojvodina are in the battle zones. This war has "provided" 19,000 disabled soldiers to Vojvodina. About 30,000 people have disappeared. Canak said that the present Serbian power is using every means for the economic destruction of Vojvodina; it intends to lower this extremely rich area to a colonial status. This, as well as the mindless war, must be prevented by all means. Canak stressed.

In his further remarks Canak said that the Vojvodina is a unique area in the world where various nations coexist; for this reason it is the purpose of those in power and of their allied warmongers to divide peaceful coexistence and to incite neighbors against each other. Those who live here must prevent this by all means.

"We need no arms. We will not resort to violence; we will act with our minds against mindlessness. If any conflict was to burst out in any part of Vojvodina, all members of the league—and we number 150,000 by now—will go there and prevent bloodshed with our presence. We do not need Kalashnikovs. Openness is our most effective weapon," Canak said.

Speaking of the memorandum that has also been submitted to the EC, Canak said that the ongoing events here are also becoming increasingly clear to the entire world. As a result of this realization the world is totally isolating Serbia. This system is in its final hours, but it is still very dangerous because they mislead the masses by preventing information flow. The voice of the opposition cannot be heard by the people; the press faithful to the regime inundates the people with a mass of lies.

Canak stressed that those in power were making moves with a barely veiled intent to change the ethnic composition of the populace. In the "liberated" areas Ruthenians and Slovaks are being forcibly deported. According to Canak, a majority of refugees staying in the Vojvodina are being promised by those in power that they could find new homes here. The only trouble is that these homes are not yet vacant, because local residents live in them. Those in power are seeking ways to forcibly expel these people, and this must be prevented by all means. One should not be frightened by the fact that some devious elements use blood to write HDZ [Croatian Democratic Community] on the walls of buildings occupied by Ruthenians just to intimidate them. These wreckers act only in the dark, and this is why "light must be shed upon them," and their activities must be unveiled by taking pictures and films.

This system is suited only for robbers, wreckers, and arms dealers. Canak stressed.

Several questions were raised as to whom Canak regarded as newcomers, because the Vojvodina was an area exposed to constant migration. His answer was clear. He regards as newcomers people who feel that way and who are busy depraving the Vojvodina. All persons coming here with good intentions are welcome, regardless of where they come from, and regardless of when they settled here. He then added that Radoman Bozovic, for example, was not such a person. He destroys everything—the university, the press, and the economy. There is no need for such persons.

A few people, mainly members of the SZSZP [expansion unknown], commented on his statement concerning the present borders of the Vojvodina. Canak asserted that all existing internal and external borders must be respected. It should be possible to negotiate later about internal borders, but one should rule out changing these borders by force.

Some people in the audience tried to react to his qualifying words about Vojvodes Slobodan Milosevic and Vojislav Seselj. Canak responded by presenting additional facts.

Canak explained that his organization was fighting for a Vojvodina Republic, one that could exist as part of a Serbian confederacy or of a Yugoslavia. He repeatedly stated his well-known thesis, according to which Vojvodina belongs only to those who live in the Vojvodina.

Several persons approved of Canak's statement, according to which there was no substantive difference between the Serbian National Socialist and the Croatian Fascist systems. Canak also said that in his view the EC was unjust when it imposed sanctions against only the Serbian system and not the Croatian system, whereas it was obvious that human rights have also been forcibly trampled on in Croatia. In Canak's view a distinction could be made because of the war waged on Croatian territory, but as he said, the world was certainly going to react appropriately to the damaging character of Tudman's system.

Canak said that the Vojvodina/Yugoslav Social Democratic League would certainly run in the local elections, primarily in order to assess its own strength and situation.

Canak stated that his group was cooperating with the democratic opposition with increasing effectiveness. They are also able to cooperate with the Serbian Renewal Movement regarding every issue on which they agree. Although some dissonant voices could also be heard in the course of the evening, everything went on in the best order; persons unable to tolerate certain views expressed by those who think differently slowly trickled out of the theater.

Serbian-Hungarian Friendship Society Founded

92BA0841B Novi Sad MAGYAR SZO in Hungarian
18 Apr 92 p 7

[Article by A.N.: "About Common Affairs, Jointly—A Serbian-Hungarian Friendship Society Will Be Formed Soon in Temerin—Interparty Rules of Cooperation Must Be Codified, Local Parties Urge"]

[Text] About half a year ago the Temerin district organization of the VMDK [Democratic Union of Hungarians in Vojvodina] proposed to local parties that they jointly establish a Serbian-Hungarian Friendship Society, but the proposal remained unanswered. Circumstances have changed since then, however, because at present, or last weekend to be exact, other local parties have made an identical initiative.

The first multiparty conference has been convened at the initiative of the KSZ [expansion unknown] Movement for Yugoslavia Party leadership. The result of that conference was a determination to establish the Friendship Society in the near future. The specific activities to be pursued by this society are not known for now; the agreement by the parties calls for the establishment of a nonpolitical organization for the preservation of relationships between nations as its main goal.

The four local parties of Temerin, the SZMM [expansion unknown], the SZSZP [expansion unknown], the VMDK, and the KSZ-MJ [expansion unknown], uniformly support concepts that endeavor consolidation; moreover, they also call for preparing a code of interparty cooperation that would include certain political conduct standards.

All party representatives uniformly supported these ideas, but perhaps SZMM's Dusan Hajdukovic made the most fitting remarks when he said that tension between nations is on the increase in Temerin and that this must be prevented by all means even if the hegemony of the SZSZP must be harnessed, because that party's policies have greatly contributed to the evolution of the momentary situation. Milan Kredinac, speaking on behalf of the SZSZP, stressed that the parties must endeavor to settle conditions within the municipality irrespective of their political convictions. This should not necessarily mean that the parties surrender some of the positions in which they differ; instead, it should mean that despite differences there are common affairs that must be resolved jointly, and that cannot be circumvented without considering national belonging and political convictions.

On behalf of the KSZ-MJ Party Vojislav Tomic declared that his party has initiated the establishment of the friendship society and the drafting of the code in order to allay

the estrangement that has been going on for some time. He regarded the mere convening of an interparty conference as a laudable accomplishment and stressed the need to preserve the achievements in coexistence that have been realized in the municipality thus far.

Speaking for the VMDK, Erzsebet Toth said that she regarded the initiative as promising. The prevention of mounting tensions between nations is of exceptional importance also at the local level. Even if the exact profile of the friendship society has not yet been drawn, the idea itself encourages rapprochement—even more so because last year, in response to a VMDK initiative, one of the persons nominated as president of the society—a person of the Serbian nationality—was unable to accept the post despite all his good intentions. He has received threats and would have been declared a traitor had he accepted the post.

To sum up all the above: Substantial progress has been made in Temerin, despite the fact that the agreement has only been reached in principle. One should not disregard the fact that the local representative of the Serbian Radical Party now being formed was also present at the interparty conference; he too, agreed with those present.

Arkan Interviewed on Life, War, Arrest

92BA0814A Podgorica POBJEDA in Serbo-Croatian
13 Jan 92 p 8

[Interview with Zeljko Raznatovic-Arkan by Scepan Vukovic; place and date not given: "Time of the Warrior"—first paragraph is POBJEDA introduction]

[Text] "I am happy that the time of the warrior has come, because that is what I have been since I was a child. I think that there is no more exalted goal than defending your own people and the ideals that you firmly believe in."

... And when we crossed the large bridge across the Danube, here near Bogojevo, Erdut appeared.

The fog could have been cut with a knife: The only light that could be seen was the stars that twinkled in the sky, trembling from the winter cold. The jeep's headlight wandered up to a sign next to the road, on which "Osijek, 50 kilometers" was written in big letters.

The large center of the Serbian Volunteer Guard had been swallowed up by night a long time before. Zeljko Raznatovic ("Please emphasize this 'n,' since almost all the journalists are writing my last name with an 'nj'") says that one should not have much faith in cease-fires. The times are like that—for a long time now, falling stars are not the only things that have been falling from the sky.

We talked in the officers' canteen. The selection of beverages was varied: fruit juice, and then the yellow one, and then the red one again.... There is also pink, and blue, and tomato juice.... There is also an explanation for it here: "A drunken soldier cannot even defend his mother, much less his country and his own people."

There are many controversies about him among the public, and so, to start with, we asked for help: How would Zeljko Raznatovic-Arkan introduce himself?

War and Discipline

[Arkan] I was born 39 years ago in Brezice, in Slovenia. My father, an air force colonel, was serving there at the time. I grew up in Belgrade, but my roots are firmly tied to the rocky Montenegrin soil. My father is from Rijeka Crnojevica, the family lived in Cetinje, and I am very proud of my origin.

To put it very briefly, I am a family man who has four children in a dismal marriage. I am the owner of two firms and a pastry shop; I could consequently sit at home, live in peace, and watch my children be happy with their father's company, playing and growing up without a care.

Nevertheless, I am above all a Serb and a great Serbian patriot. I realized in time that the Serbian people were in serious danger, and, without thinking about it, I went to help as much as I could.

[Vukovic] Your army experience was not extensive, however. Roots are roots, and in Cetinje, at one time, evasion of joining the JNA [Yugoslav People's Army] was a matter of prestige.

[Arkan] I admit that I have not been in the JNA, nor have I ever worn a uniform.

On the other hand, I have demonstrated in this war that even a layman can be a good commander, and I recalled that any war can only be won by a disciplined army. I constantly insist on this: My soldiers are terrific fighters, but at the same time they are real Serbian gentlemen who can be easily recognized by their courage, honesty, kindness, and heroism.

[Vukovic] The Serbian Volunteer Guard is an organized and well-armed army. In the very beginning, however, you have said, your only weapon was the desire to help the Serbian people?

[Arkan] We have been at war for a year now: We were on the barricades in Knin, and we defended the Krka monastery. Even then we rose up in defense of the Serbian people, who were threatened by fascism in Croatia. As soon as the rise of the HDZ [Croatian Democratic Community] began, things that are similar to the events of 1941 started happening in succession—history threatened to repeat itself, but now in an even harsher and more tragic form.

The Serbian Volunteer Guard, in any case, has existed since 11 October 1991. Since its founding, it has had a nonparty orientation: Those who join it have to lock up any politics in the lockers in their rooms. Our first actions were associated with procuring weapons and aiding the fighters in the Knin Krajina....

[Vukovic] It is a time when there are still fresh memories of your arrest, which raised a lot of dust in the media?

[Arkan] Yes.... I was in jail for six months and 15 days. Then by some miracle they freed me. When I remember it

today, I say, "Thank God!" God and the specific situation: The International Red Cross became involved in the whole case, and that scandal over Spegelj broke out, and so the Croats let us out of jail in order to convince the world of their "democracy." But if we had stayed there just a few more days, we would have been done for....

[Vukovic] ?!

[Arkan] I am telling you this on the basis of certain new facts that I did not have any idea of at that time.

[Vukovic] Will you explain that? What was supposed to happen?

[Arkan] They were preparing a big trap for me. I was supposed to be killed near Zupanja on the highway. After I got out of jail, however, friends met me and took me to the Pleso airport, and I left for Belgrade from there. They did not expect that: They were keeping a watch on JAT's afternoon flight, but I escaped from them on a private plane, a little one with six seats.

"They Would Have Killed Me Like a Dog"

[Vukovic] At the time of your arrest, did the Croatian authorities know whom they were dealing with?

[Arkan] At that time, I was the commander of the Serbian Volunteer Guard. But we concealed that fact completely. We were strictly in the underground. Did the Croatian authorities know about that fact...?

What I have to assume is that they would have killed me like a dog.

[Vukovic] People are more and more interested in the Serbian Volunteer Guard?

[Arkan] That fact is easy to explain: The Serbian Volunteer Guard is a nonparty army. The Serbs are an intelligent people, and no one can deceive them. People see that the parties are springing up like mushrooms after rain, and every day some new leader is resurrected. We do not have any political ambitions and we have a desire to help the Serbian people. That is why the people like us so much: The world is already calling these brave young men and volunteers the "Serbian tigers." Well, this little tiger is our mascot, and it was donated to us by Vuk Bojovic, the director of the Zoo.

[Vukovic] Fear can already be sensed among the ordinary people in Belgrade: What will happen when the war is over? Arkan's soldiers will return, Seselj's army will march in, the Serbian Guard will come.... Will there be shooting on the corner of every street?

[Arkan] I am speaking on behalf of my soldiers: When the war ends, there will not be any problems with them. I guarantee it.

I will cite one example for you. When Crvena Zvezda [Red Star] won the World Cup, tons of ammunition were fired in Knin, and here the reservists lit up the whole sky. You see, I am the president of the Crvena Zvezda fans, but my

soldiers did not fire a single bullet! Ammunition has to be saved for the enemy, and the times are not appropriate for big celebrations either.

I promised the guys then: There is no shooting this morning, but when the war ends, we will all fire one burst together.

[Vukovic] When the war ends.... Then will Zeljko Raznatovic-Arkan arrive at Dedinje on a white horse?

[Arkan] No.... Excuse me, I will certainly return to Dedinje, since I have a house there. That is the difference—I have everything, and I am not seeking anything. Not even a clap on the shoulder.

[Vukovic] Popularity, however, suits you?

[Arkan] The gratitude of the Serbian people—that is my greatest honor. I am happy that the time of the warrior has come, since that is what I have been since I was a child. I think that there is no more exalted goal than to defend your own people and the ideals that you firmly believe in.

[Box, p 8]

Dream and Waking: On Cooperation With the JNA

[Vukovic] There is a contradiction here. The Serbian Volunteer Guard is under the command of the JNA, but its commander has a negative opinion of the JNA?

[Arkan] We are currently under the command of the Territorial Defense of the Serbian Region of Slavonia, Baranje, and Western Srem, and they are under the command of the JNA. My criticisms go back to the time of the beginning of the war, the period when the JNA literally betrayed us on several occasions. We started to attack and then the tanks simply turned around and started shooting at us! Two days after that, 23 members of that brigade, together with their tanks, fled to Laskovo and surrendered

to the enemy. You understand, this was a terrible betrayal. A person cannot even believe his own eyes. You spend your whole youth believing that the JNA is invincible and that it is the fourth or fifth strongest in the world in terms of its strength and power, but here you see things that you never would have dreamed of.

That was at the beginning of the war. Now that we have separated the wheat from the chaff, confidence has been restored again. There is no more place for anger, and there are splendid and honest people in that army with whom we have exceptional cooperation.

[Box, p 8]

When a Person Dies

Once my wife told me, "Zeljko, what did you do? I have lost Saleta!"

Saleta Vukotic was my brother-in-law, a man whose strength and heroism made him a hero. I have gone through a lot of this in my life, but a person is not a machine—my heart has started to tear.

I said, "Woman, I have lost seven Saletas." Seven of my fighters died before that time, and they all meant to me as much as Saleta did. They were all wonderful, good young men.

And that is war for you—I I scars on my heart! That is how many of my soldiers have died on the front lines so far. They were more to me than brothers—we shared all the evil and the good of this world during the days when things were most difficult for us.

When one of my men dies, it is terrible.... But what can I do: grit my teeth and keep going. I know that I have to endure. How long? Well, until I finally crush the enemy's resistance.

END OF

FICHE

DATE FILMED

14 May 1992